

TOWNSHIP OF LOWER MERION



**MONTGOMERY COUNTY,
PENNSYLVANIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
December 31, 2013**

Prepared by the Department of Finance

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Table of Contents

	Page
Introductory Section:	
Letter of Transmittal	i
Certificate of Achievement	x
Organizational Chart	xi
Board of Commissioners	xii
Executive Officials and Staff	xiii
Financial Section:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to Basic Financial Statements	30
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund	66
Notes to Required Supplementary Information	67
Schedule of Funding Progress and Contributions from the Employer and Other Contributing Entities – Municipal Police Pension Fund	68
Schedule of Funding Progress and Contributions from the Employer and Other Contributing Entities – Township Employees Pension Fund	69
Schedule of Funding Progress – Postemployment Benefits	70
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds – Description of Funds	71
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	73

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Table of Contents

	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Nonmajor Special Revenue Funds	74
Internal Service Funds – Description of Funds	75
Combining Statement of Net Position – Internal Service Funds	76
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	77
Combining Statement of Cash Flows – Internal Service Funds	78
Statistical Section:	
Statistical Section – Description of Schedules	79
Net Position by Component	80
Changes in Net Position	81
Fund Balances of Governmental Funds	82
Statement of Revenues, Expenditures, and Changes in Fund Balances	83
Assessed and Estimated Actual Value of Taxable Property	84
Property Tax Rate in Mills – All Direct and Overlapping Governments	85
Principal Property Tax Payers	86
Property Tax Levies and Collections	87
Ratio of Outstanding Debt by Type	88
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	89
Computation of Direct and Overlapping Debt	90
Computation of Legal Debt Margin	91
Demographic and Economic Statistics	92
Principal Employers	93
Full-Time and Part-Time Employees by Function	94
Operating Indicators by Function	95
Capital Assets Statistics by Function	96



INTRODUCTORY SECTION

- **Letter of Transmittal**
- **Certificate of Achievement (Government Finance Officers Association)**
- **Organizational Chart**
- **List of Elected and Appointed Officials**



August 7, 2014

The President and Members of the
Board of Commissioners:

We are pleased to submit the Township of Lower Merion's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2013. The annual report is submitted herewith and includes, as required by Code, financial statements which have been examined by an independent firm of certified public accountants. The complete set of financial statements is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

This report consists of management's representations concerning the finances of the Township. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Township has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Township's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Township's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Township for the fiscal year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Township's financial statements for the fiscal year ended December 31, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Township was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Township's separately issued Single Audit Report.

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 the MD&A and should be read in conjunction with it. The Township's MD&A can be found immediately following the report of the independent auditors.

Profile of Lower Merion Township

The Township of Lower Merion (the “Township”), first settled in 1682 and well known as an attractive and affluent residential community, is located along Philadelphia’s famed Main Line in “Delaware Valley, U.S.A.” Fine homes and estates, excellent highways, exclusive shops and department stores, luxurious apartment houses, stately church edifices, buildings dating back to the 17th century, and superior public, private and parochial schools and colleges characterize the Township.

Covering an area of 23.64 square miles, the Township is bounded by the City of Philadelphia, the Boroughs of Conshohocken and West Conshohocken, and the Townships of Upper Merion and Whitemarsh in Montgomery County and the Townships of Haverford and Radnor in Delaware County. The Borough of Narberth, although a separate political entity of one-half square mile, is completely surrounded by the Township.

Lower Merion has been a Township of the First Class since 1900 – the oldest in the State. The Township is divided into 14 wards and is governed by a Board of Commissioners, with one Commissioner elected from each ward for a term of four years. Seven of the Commissioners are elected every two years to hold overlapping terms. The Board makes policy and legislates by passing resolutions and ordinances within the guidelines and powers established by the First Class Township Code. The Board appoints a Township Manager who is chosen on the basis of executive qualifications and serves as the Township’s Chief Executive and Administrative Officer. The Township Manager is responsible to the Board for the administration of all municipal affairs as authorized by the Board and/or Administrative Code of the Township. Other Officers of the Township are the Secretary, Solicitor, Engineer and an elected Treasurer.

The Township organization has thirteen departments, all headed by experienced career professionals selected by the Township Manager strictly on the basis of merit and ability to perform the required responsibilities. These departments provide an extensive array of services to Township residents including police and fire protection, refuse and recycling collection and disposal, parks maintenance, recreation activities, building and planning services, community development programs, and public works services as well as access to six public libraries.

The Local Economy

Even with the ups and downs of the economic recovery in recent years, the Township’s short and long-term financial planning has provided the financial strength to succeed in these challenging times. The Township’s primary revenue source (real estate taxes) had experienced a three-year decline of the real estate tax assessment base, until 2013 when it increased +0.4% and +0.6% in 2014. However, one-time revenues received in 2011, 2012 and 2013 have helped mask the underlying flat to moderate GF revenue growth. The Township continues its tradition of closely monitoring revenues and expenditures and making wise capital investments to its infrastructure and facilities, including using one-time revenues for funding capital projects and future scheduled replacement of vehicles and equipment. With a strong emphasis on long-range financial planning, prudent fiscal management, cost containment, moderate revenue enhancement and the use of fund balance reserves, the Township has managed through the economic downturn and recovery period.

The Township, which is in the heart of the Philadelphia metropolitan area, generates economic vitality from its service, retail and financial sectors. Some of these sectors have experienced difficulties during this economic period, but overall appear to have stabilized and are expected to grow moderately in the years ahead. The future outlook appears stable, with moderate growth in 2013 and beyond.

The direction of the current economy suggests the following key economic trends, which will directly impact the Township:

Regional and Local Business Trends:

- Better than expected growth occurring in the local business environment.
- Better than expected growth in service-sector and retail sales.
- Flat to low growth occurring with local employment levels.
- Lower local unemployment rates than the national averages.
- Increase of new construction permits in 2013 and projected moderate growth in 2014 and beyond with stable construction costs.

Local Residential Trends:

- Continued desirability to live in Lower Merion Township.
- High expectations and demand for high quality municipal services coupled with the need to balance service costs and the need to raise revenue to pay for them.
- Excellent, consistent taxpayer compliance; very low delinquencies for taxes and billed services.
- Minor incidence of local housing foreclosures.
- Higher growth in the local housing resale market, stable home prices, shorter residential sales cycle and decreasing residential home inventory.
- High compliance with land use and building code regulations.
- Strong public and private secondary schools, colleges and universities.

Lower Merion Township Government Trends:

- Expenditure reductions and staffing level decreases in various areas of the government.
- 2014 Real Estate Tax millage rate remained unchanged for 2013 (third consecutive year).
- No significant service delivery level changes planned for municipal services.
- Solid Waste Fee (SWF) rate increase (+5.4%) in 2014.
- Stable short-term costs for solid waste disposal.
- Moderate expenditure growth and projected declining billable water consumption in the Sanitary Sewer Fund which may require a Sanitary Sewer Rental (SSR) rate increase beyond 2014.
- Good budgetary performance.
- Continued improvement in services through efficiency and technology.
- Constrained costs for electricity through 2018.
- Continued proactive approach to infrastructure and facility maintenance and reconstruction.
- Major multi-year economic development initiatives underway.
- Growing partnerships with commercial districts to foster economic redevelopment.
- Citizenry actively expressing community needs and desires.
- Continued focus on Township's delinquent business tax collection program.

- Continuation of successful assessment appeals eroding the real estate tax base due to inequities resulting from the long duration since the last County-wide reassessment in 1997.
- Higher healthcare costs in 2014 and beyond resulting from prices and the American Affordable Care Act requirements.
- Moderate growth expected in business tax revenue in 2014 and beyond.

In recent years, the Township has managed to maintain a stable local economy and experience moderate revenue growth in some areas, primarily business taxes and real estate transfer taxes. However, without a County-wide reassessment, the Township's real estate tax assessment base is vulnerable to future declines, as has been experienced in recent years. As 2014 unfolds, the economic conditions will require careful monitoring for future impacts on the Township's finances.

Financial Information

The Finance Department is responsible for the daily financial operations of the Township, and provides a full range of services including accounting, financial reporting, accounts payable, tax/fee administration, budgeting, cash and debt management, centralized purchasing and contracting, and risk management oversight.

In developing and evaluating the Township's accounting system, consideration is given to the adequacy and design of internal accounting controls. These are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against the loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

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.

The Township's financial structure and budget have been established and developed through statutory requirements and guidelines of the Commonwealth, the use of fund accounting based upon generally accepted accounting principles, and specific operational considerations particular to the Township. The legal level of budgetary control is the fund level, but the Township manages the budget at the departmental level. Except for the use of encumbrance accounting, and the recognition of indirect cost revenues and expenditures, the Township's budget and accounting records are maintained on a basis consistent with generally accepted accounting principles. Encumbrances are used as a method of budgetary control to reserve appropriations.

The Township's annual budget serves as the foundation for the Township's financial planning and control. The annual operating budget cycle begins in June when all departments are required to report on prior year fiscal year performance in achieving adopted Township performance measures and goals. In addition, each department develops budget requests, which are reviewed and analyzed by the Township Manager's Office and the Department of Finance. The Township's preliminary budget information is prepared and discussed at budget workshops with the Township Board of Commissioners during September for the opportunity to provide input and comments. On or before November 15th, the Township Manager formally presents a

proposed budget to the Board. After an extensive review and deliberation process and two public hearings to receive citizen input, the Board must formally adopt a budget before December 31st in accordance with the Township Code.

A Review of Key Accomplishments in 2013

- Implemented the use of Twitter as an additional tool to inform the public of immediate Township happenings, such as major road closures, weather alerts, Police advisories, Township-sponsored events, and imminent meetings of the Township's Board of Commissioners and advisory boards.
- Implemented several key internal control systems which are improvements to the technology infrastructure
- Contract negotiations with SunGard for a significant HR/Finance system upgrade were completed and implementation was initiated.
- Geographic Information System (GIS), which is integral to most Township departments, continued to be developed and enhanced, providing analytical support to Building and Planning and the land development process. New enhancements have been made supporting Public Works.
- Negotiated the terms (one year extension through 2015) of a new labor agreement with the Workers Association to replace the current four year agreement expiring December 31, 2014.
- Successfully conducted a police officer recruitment campaign and examination process, resulting in the establishment of a list of eligible candidates for hire.
- The Environmental Advisory Council updated the Environmental Action Plan.
- Storm water system improvements continued throughout 2013 as identified in the 2007 Township Storm water System Study, which prioritizes construction and implementation of these projects.
- Thirty-eight streets totaling 174,775 square yards of roadway were rotomilled and resurfaced using approximately 20,000 tons of asphalt.
- Over 600,000 feet of sanitary sewer lines were maintained to prevent blockages.
- The Township sponsored three successful free clean up weekends with over 1,000 vehicles entering the sites to drop off material free of charge to all residents.
- Completed the Bala Cynwyd Library renovation and expansion project.
- Implemented an Automatic License Plate Reader Program (A.L.R.P.) which is utilized to locate stolen and suspicious vehicles and provide information for active police investigations.

- Completed park master plans for Merion Botanical Park and Shortridge Memorial Park and updated the master plan for South Ardmore Park.
- A study was completed on a Parking Guidance System (PGS) for Ardmore Municipal Parking Lots in response to the proposed Cricket Lot and Ardmore Transit Center Projects.

Township's 2014 Initiatives

Economic Development

- Coordinating with various Township departments, Ardmore business and residential communities, Civic Associations, transit partners including SEPTA and Amtrak, PADOT and the consultant teams to prepare temporary parking plans and construction staging plans for business owners, shoppers and commuters for during-construction activities for construction of the future Ardmore Transit Center and Cricket Lot improvements.
- Implementing a DCED matching façade grant program for Bala Avenue, Bryn Mawr, and Merion/Cynwyd business districts.

Land Planning

- Completing the update of the Township's Comprehensive Plan.

Open Space

- Coordinating with the City of Philadelphia, SEPTA and other partners, the Township's multi-departmental efforts to extend the Cynwyd Heritage Trail over the Manayunk Bridge into Philadelphia.

Environmental Stewardship

- Continuing to provide staff assistance to the EAC in their endeavor to develop a Green Parking Lot Ordinance.
- Working with the EAC to establish "green initiatives" relative to the Township's facilities and fleet maintenance operations.
- Continuing to survey the Township's parks and street trees for preservation and systematically remove the weak and undesirable specimens to reduce the impact of the Emerald Ash Tree Borer on the Township's Ash Tree population.
- Researching and developing planning elements for integration of electric vehicles into the Township's fleet.
- Developing and implementing a strategy to increase enforcement of commercial recycling.
- Investigating food waste recycling collection options.

Transportation and Infrastructure

- Providing oversight of the bridge reconstruction projects at Pennswood Road and Union Avenue.
- Continuing to incorporate various infrastructure maintenance, repairs and installations and street and traffic signs into the Geographic Information System.

Public Safety

- Identifying and reducing incidents of aggressive driving through the implementation of high visibility enforcement zones.
- Inspecting areas throughout the Township that experience high volumes of pedestrian activity and determining if any safety improvements are needed at these locations.
- Reviewing and updating all fire response preplans of the commercial buildings and institutions in the Township.
- Continuing to identify and improve sight distance issues by removing vegetation restricting the vision of traffic signals, street lights and regulatory signs throughout the Township.
- Implementing a comprehensive playground inspection program.
- Investigating and implementing an annual program through the Local Technology Assistance Program (LTAP) and the Delaware Valley Insurance Trust (DVIT) for specialized training to address storm damage involving power line safety, below-grade trench construction, and confined spaces.

Community Services

- Collaborating with VMSC of Lower Merion and Narberth to produce new TV series focusing on programs and services as well as risk prevention, CPR and other safety tips.
- Introducing new online payment services for residents.
- Initiating the upgrade or re-design of the Township Website to provide citizens with user-friendly access to important Township information.
- Preparing for the next library renovation project by reassigning materials, completing RFID tasks, and planning staff redeployment.
- Continuing to strengthen library system bandwidth, while researching Voice Over IP phone systems and café style wireless access for the public.
- Creating public programs, in partnership with local organizations, linked to civic and social literacy as part of Pennsylvania's emphasis on Libraries and Literacy.

Financial Sustainability

- Implementing online and in-person ticket payments and permit sales using credit/debit cards.
- Undertaking an updated Fees and Rates study designed to bring various Township user fees to full cost recovery.
- Preparing and submitting applications for federal, state and regional grants for projects and programs of benefit to the Township.
- Coordinating friends groups and volunteer maintenance and improvement efforts in the park system and facilitating shared resources among the volunteers.

Long-term Financial Planning

The Township is continually looking ahead and working to strengthen its financial condition. One of the more important financial management practices is to provide the Board of Commissioners with annual (up to 4 years ahead) financial forecasts. The Township's long range financial forecast policy provides for public updates of the Township's multi-year financial projections at mid-year and with the Proposed Budget, which for the 2014 Budget included estimated actual projections for the current year (2013), upcoming budget year (2014) and the three years (2015, 2016 and 2017) that follow.

The Five Year Forecast is a tool the Township uses to recognize and acknowledge certain fiscal assumptions, trends and realities. The forecast presumes current policies of the Township and no attempt has been made to assume any changes in Board of Commissioners' policy, service delivery levels, programs, staffing, the general economy, healthcare trends, unfunded mandates, reassessment, law changes, societal evolution, unexpected repairs, unusual weather patterns, and so forth.

The Township's 2014 General Fund budget includes total receipts of approximately \$57.2 million and total expenditures of \$59 million, resulting in a budgetary imbalance of \$1.8 million. The 2013 Budget anticipated a planned \$3.2 million actual deficit and drawdown of fund balance. However, with better than expected expenditure and revenue performance, the Township concluded 2013 with a \$3.1 million surplus.

Independent Audit

As required by local and state law, an annual audit of the Township's General Purpose Financial Statements is conducted by independent certified public accountants in accordance with auditing standards generally accepted in the United States of America. The Township selected the accounting firm of Clifton Larson Allen, LLP. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

In addition to meeting the requirements set forth in state and local statutes, the Township also engaged CliftonLarsonAllen LLP to conduct an audit designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* were used by the auditors in conducting the Single Audit engagement. The Township prepares a Single Audit report containing the auditors' reports on internal controls and compliance with applicable laws and regulations and other required information under separate cover.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township of Lower Merion for its comprehensive annual financial report for the fiscal years ending December 31, 1993 through 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Township must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Township of Lower Merion received a Certificate of Achievement for the last twenty consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The Township of Lower Merion received the GFOA Distinguished Budget Presentation Award for its annual operating budget for the fiscal year ending December 31, 2013. It was the twenty-fourth consecutive year the Township received the award for the document.

Acknowledgments

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Finance Department. Their hard work, professional dedication, and continuing efforts to improve the quality of this report are a direct benefit to all that read and use it. Our many thanks to all the members of the Finance Department who assisted and contributed to its preparation and our external auditors CliftonLarsonAllen LLP. The staff members of CliftonLarsonAllen have been very helpful in meeting the Township's audit report requirements and financial reporting. We would like to express appreciation to the Township Board of Commissioners for their adherence to their mission statement in the Operating Budget by placing long-range planning at the forefront of all fiscal determinations. It is gratifying to know that the leaders of this Township truly have the long-term interest of the community in mind.

Sincerely,



Ernie B. McNeely
Township Manager



Dean J. Dortone
Chief Financial Officer



Government Finance Officers Association

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

Presented to

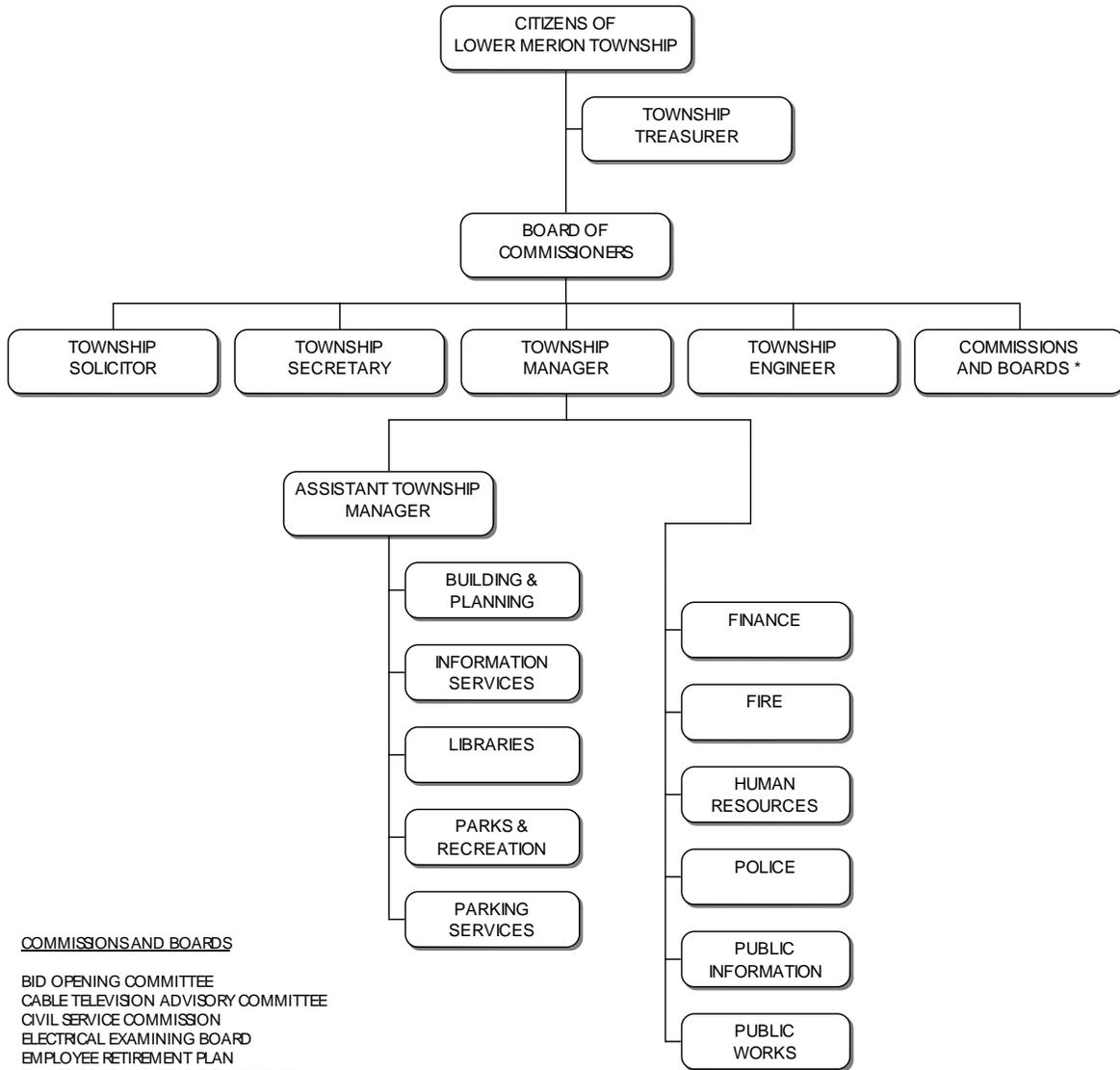
**Township of Lower Merion
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

Township of Lower Merion Organizational Chart



COMMISSIONS AND BOARDS

- BID OPENING COMMITTEE
- CABLE TELEVISION ADVISORY COMMITTEE
- CIVIL SERVICE COMMISSION
- ELECTRICAL EXAMINING BOARD
- EMPLOYEE RETIREMENT PLAN
- ENVIRONMENTAL ADVISORY COUNCIL
- HEALTH ADVISORY COUNCIL
- HISTORICAL ARCHITECTURAL REVIEW BOARD
- HISTORICAL COMMISSION
- HUMAN RELATIONS COMMISSION
- LOWER MERION LIBRARY SYSTEM
- LOWER MERION POLICE PENSION FUND
- PERSONNEL REVIEW BOARD
- PLANNING COMMISSION
- SHADE TREE COMMISSION
- UNIFORM CONSTRUCTION CODE APPEALS BOARD
- VACANCY BOARD
- ZONING HEARING BOARD

Township of Lower Merion Board of Commissioners

Board Officers:

President – Elizabeth Rogan - (Wynnewood - Ward No. 7)

Vice President – Paul A. McElhaney (Belmont Hills, Penn Valley & Bala Cynwyd - Ward No. 3)

Board Members:

Daniel S. Bernheim, Esq. (Merion Park & Penn Valley – Ward No. 1)

Jenny Brown (Gladwyne & Penn Valley - Ward No. 2)

Steven K. Lindner (Ardmore & Haverford – Ward No. 4)

Cheryl B. Gelber, Esq. (North Ardmore & Wynnewood - Ward No. 5)

Philip S. Rosenzweig, Esq. (Rosemont & Villanova - Ward No. 6)

Anna Durbin (South Wynnewood & East Ardmore - Ward No. 8)

George T. Manos, AIA (Bala Cynwyd - Ward No. 9)

V. Scott Zelov (Haverford & Bryn Mawr - Ward No. 10)

Lewis F. Gould, Jr., Esq. (Bryn Mawr, Gladwyne & Rosemont - Ward No. 11)

Brian A. Gordon, Esq. (Merion - Ward No. 12)

C. Brian McGuire - (Cynwyd & Merion Park - Ward No. 13)

Rick Churchill (Penn Wynne & Wynnewood - Ward No. 14)

Executive Officials and Staff

Board Appointed Officials:

Samuel T. Adenbaum, Treasurer (Elected Official)

Gilbert P. High, Jr., Esq., Township Solicitor

Jody L. Kelley, Township Secretary

Ernie B. McNeely, Township Manager

Edward P. Pluciennik, Township Engineer

Township Manager Appointed Staff:

Dean J. Dortone, Finance

Robert E. Duncan, Acting Assistant Township Manager/Building & Planning

Charles J. McGarvey, Fire

Roseann J. McGrath, Human Resources

Wendy L. Reich, Information Services

Christine M. Steckel, Libraries

Thomas D. Pintande, Parking Services

Lindsay L. Taylor, Parks & Recreation

Michael J. McGrath, Police

Thomas J. Walsh, Public Information

Donald K. Cannon, Public Works



FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining and Individual Fund Statements and Schedules**



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable Township Commissioners
Township of Lower Merion, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Lower Merion, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the Township of Lower Merion as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note (1)(c)8 to the financial statements, the Township of Lower Merion implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2013, which represents a change in accounting principle. As of January 1, 2013, the governmental activities and proprietary fund net position were restated to reflect the impact of adoption. A summary of the restatement is presented in Note (14). 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 the management's discussion and analysis, budgetary comparison information, schedules of pension and postemployment benefits funding progress and pension contributions, on pages 3-18, and 66-70, 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 the Township of Lower Merion's basic financial statements. The combining and individual fund financial statements and schedules on pages 71-78, the information presented in the Introductory Section on pages i-xiii, and the information presented in the Statistical Section on pages 79-96 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules on pages 71-78 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 fund financial statements and schedules on pages 71-78 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information presented in the Introductory Section on pages i-xiii, and the information presented in the Statistical Section on pages 79-96 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
August 7, 2014



Management's Discussion and Analysis

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

The following discussion and analysis of the financial statements of the Township of Lower Merion, Pennsylvania (the Township), provides an overview of the financial activities of the Township for the fiscal year ended December 31, 2013. Please read it in conjunction with the transmittal letter, located at the front of this report, the basic financial statements, and the accompanying notes to those statements, which follow this section.

Financial Highlights

- The net position (assets minus liabilities) of the Township as of December 31, 2013 was \$163.4 million. Of this amount, \$147.9 million represents the governmental net position and \$15.5 million represents the business-type net position. Of the total net position, \$34.9 million is unrestricted and is available to meet the Township's ongoing obligations in accordance with the Township's fiscal policies.
- The Township's net position increased by \$1.8 million or 1.1%. The governmental net position increased by \$0.7 million and the business-type assets increased by \$1.1 million compared to 2012.
- The total fund balance for governmental funds was \$24.5 million at December 31, 2013, with \$18.1 million in unassigned fund balance.
- The General Fund, the Township's primary operating fund, reported a total increase of \$3.1 million in fund balance. As of December 31, 2013, the General Fund had a total fund balance of \$20.2 million, of which \$18.2 was unassigned which represented 33.4% of total general fund expenditures, net of transfers out, for the year ended December 31, 2013.
- The Township's total long-term debt outstanding at December 31, 2013 was \$102.8 million, an increase of \$2.9 million or 2.9% as compared to the fiscal year 2012. The Township's governmental debt was \$87.1 million, an increase of \$3.0 million or 3.6% as compared to the fiscal year 2012. The Township's business-type debt was \$15.7 million, a decrease of \$0.2 million or 1.1% as compared to the fiscal year 2012. The Township issued \$9.9 million of General Obligation Bonds, Series A of 2013. Proceeds of the Series A Bonds were applied towards (1) funding the Township's 2013 and 2014 Capital Improvement Program and (2) paying the costs of issuing the Series A Bonds.
- The Township's Aaa bond rating from Moody's and AAA from Standard and Poor's was reaffirmed in 2013.

Overview of the Comprehensive Annual Financial Report

The Township's financial statements consist of this Management's Discussion and Analysis (MD&A) and the basic financial statements. The MD&A provides analysis and overview of the Township's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information as listed in the table of contents, along with statistical tables.

Government-wide Financial Statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements: a statement of net position and a statement of activities. Fiduciary activities, whose resources are not available to finance Township programs, are excluded from these statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

The Statement of Net Position presents the Township's total assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the current fiscal year. All revenues and expenses are reported in this statement regardless of the timing of cash flows. The focus of this statement is on the net cost of providing various activities to the citizens of the Township.

Both of these government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, building and planning, public works, libraries and recreation, and community development. The business-type activities of the Township include sanitary sewer and solid waste operations.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund Financial Statements are groupings of related self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds*. The financial statements are prepared using the economic resources measurement focus, reporting all inflows, outflows, and balances affecting the Township's net position.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information is useful in evaluating the Township's near-term financing decisions.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Township maintains four individual governmental funds: general, highway aid, community development and capital projects funds. The general fund and capital projects fund are the Township's major funds and the highway aid fund and community development funds are the Township's nonmajor governmental funds. Information on all four funds is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

The governmental fund financial statements can be found on pages 21-23 of this report.

Proprietary funds are maintained in two manners. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for the sanitary sewer and solid waste operations. *Internal service funds* are used to accumulate and allocate costs internally among the Township's various functions. The Township uses internal service funds to account for prior self-insured general liability claims and equipment (fleet and communications) maintenance and replacement. These two funds are the self-insurance trust fund and the equipment fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer fund and solid waste fund, both of which are considered to be major funds of the Township. The Township's two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these nonmajor internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the activities of the Township. The economic resources measurement focus and accrual basis of accounting are used for fiduciary funds, the same that is used for the proprietary funds.

The Township maintains fiduciary funds that cover pension benefits for members of the Township police force and other Township employees and an endowment from which the income is used to maintain the Township's Appleford property. The fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

The fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 30-65 of this report.

Other information, including additional required supplementary information and schedules, can be found immediately following the notes to the financial statements. These include the combining and individual fund statements for the nonmajor governmental funds and internal service funds, schedules of budget to actual comparisons, pension plan funding schedules and statistical tables.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

Government-wide Financial Analysis

The following table reflects the Township's comparative Net Position:

	December 31, 2013					
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 48,032,210	\$ 42,113,577	\$ 12,079,173	\$ 12,113,356	\$ 60,111,383	\$ 54,226,933
Capital assets	<u>210,654,218</u>	<u>209,929,742</u>	<u>20,437,817</u>	<u>19,998,362</u>	<u>231,092,035</u>	<u>229,928,104</u>
Total assets	258,686,428	252,043,319	32,516,990	32,111,718	291,203,418	284,155,037
Total deferred outflows of resources	<u>2,806,570</u>	<u>3,043,221</u>	<u>347,817</u>	<u>390,493</u>	<u>3,154,387</u>	<u>3,433,714</u>
Total assets and deferred outflows	<u>\$ 261,492,998</u>	<u>\$ 255,086,540</u>	<u>\$ 32,864,807</u>	<u>\$ 32,502,211</u>	<u>\$ 294,357,805</u>	<u>\$ 287,588,751</u>
Liabilities						
Other liabilities	\$ 11,819,532	\$ 16,877,171	\$ 1,242,547	\$ 2,227,552	\$ 13,062,079	\$ 19,104,723
Long-term liabilities outstanding	<u>101,728,171</u>	<u>91,017,933</u>	<u>16,171,775</u>	<u>15,880,802</u>	<u>117,899,946</u>	<u>106,898,735</u>
Total liabilities	<u>113,547,703</u>	<u>107,895,104</u>	<u>17,414,322</u>	<u>18,108,354</u>	<u>130,962,025</u>	<u>126,003,458</u>
Net Position						
Net investment in capital assets	\$ 123,749,680	\$ 126,083,639	\$ 4,266,042	\$ 4,131,930	\$ 128,015,722	\$ 130,215,569
Restricted for:						
Community development	511,513	1,286	—		511,513	1,286
Unrestricted	<u>23,684,102</u>	<u>21,106,511</u>	<u>11,184,443</u>	<u>10,261,927</u>	<u>34,868,545</u>	<u>31,368,438</u>
Total net position	<u>147,945,295</u>	<u>147,191,436</u>	<u>15,450,485</u>	<u>14,393,857</u>	<u>163,395,780</u>	<u>161,585,293</u>

The largest portion, \$128 million or 78.4% of the Township's total net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This portion of the net position decreased by approximately \$1.2 million or 0.5% from the prior year.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

An additional portion of the Township's net position (\$0.5 million) represents resources that are subject to external restrictions on how they may be used. The remaining portion of the net position, \$34.9 million or 21.3% of total net position reflects the unrestricted financial position of the Township that may be used to meet the Township's ongoing obligations to citizens and creditors. The following table reflects the Township's comparative Change in Net Position (* the effects of implementation of GASB 65 have not been reflected in the 2012 amounts):

Change in Net Position						
December 31, 2013						
	Governmental activities		Business-type activities		Total primary government	
	2013	2012*	2013	2012*	2013	2012*
Charges for services	\$ 10,032,783	\$ 9,147,952	\$ 14,689,555	\$ 14,153,172	\$ 24,722,338	23,301,124
Operating grants and contributions	5,306,624	5,308,150	322,407	290,790	5,629,031	5,598,940
Capital grants and contributions	1,734,083	1,538,299	—	—	1,734,083	1,538,299
Real estate taxes	34,460,011	33,814,323	—	—	34,460,011	33,814,323
Mercantile and business privilege taxes	10,112,081	11,380,891	—	—	10,112,081	11,380,891
Local services tax	1,985,613	1,780,825	—	—	1,985,613	1,780,825
Investment earnings	72,297	169,364	4,281	11,464	76,578	180,828
Total revenues	63,703,492	63,139,804	15,016,243	14,455,426	78,719,735	77,595,230
General government	11,412,480	10,379,860	—	—	11,412,480	10,379,860
Public safety	26,667,796	26,538,891	—	—	26,667,796	26,538,891
Building and planning	3,534,124	3,598,945	—	—	3,534,124	3,598,945
Public works	8,313,270	8,208,295	—	—	8,313,270	8,208,295
Libraries and recreation	8,604,486	8,111,310	—	—	8,604,486	8,111,310
Community development	1,084,620	1,650,621	—	—	1,084,620	1,650,621
Interest on long-term debt	3,236,576	3,133,841	—	—	3,236,576	3,133,841
Sanitary Sewer	—	—	7,435,924	7,294,062	7,435,924	7,294,062
Solid Waste	—	—	6,619,972	6,595,810	6,619,972	6,595,810
Total expenses	62,853,352	61,621,763	14,055,896	13,889,872	76,909,248	75,511,635
Increase in net position before transfers	850,140	1,518,041	960,347	565,554	1,810,487	2,083,595
Transfers	(96,281)	(96,994)	96,281	96,994	—	—
Change in net position	753,859	1,421,047	1,056,628	662,548	1,810,487	2,083,595
Net Position – Beginning	147,191,436	146,772,227	14,393,857	13,878,089	161,585,293	160,650,316
Net Position – Ending	\$ 147,945,295	\$ 148,193,274	\$ 15,450,485	\$ 14,540,637	\$ 163,395,780	\$ 162,733,911

Governmental Activities

Governmental activities increased the Township's net position by \$0.7 million or 0.4%. Governmental activities are represented by the following funds: General, Capital Projects, Highway Aid, Community Development, and Internal Service Funds (Self Insurance and Equipment Funds).

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

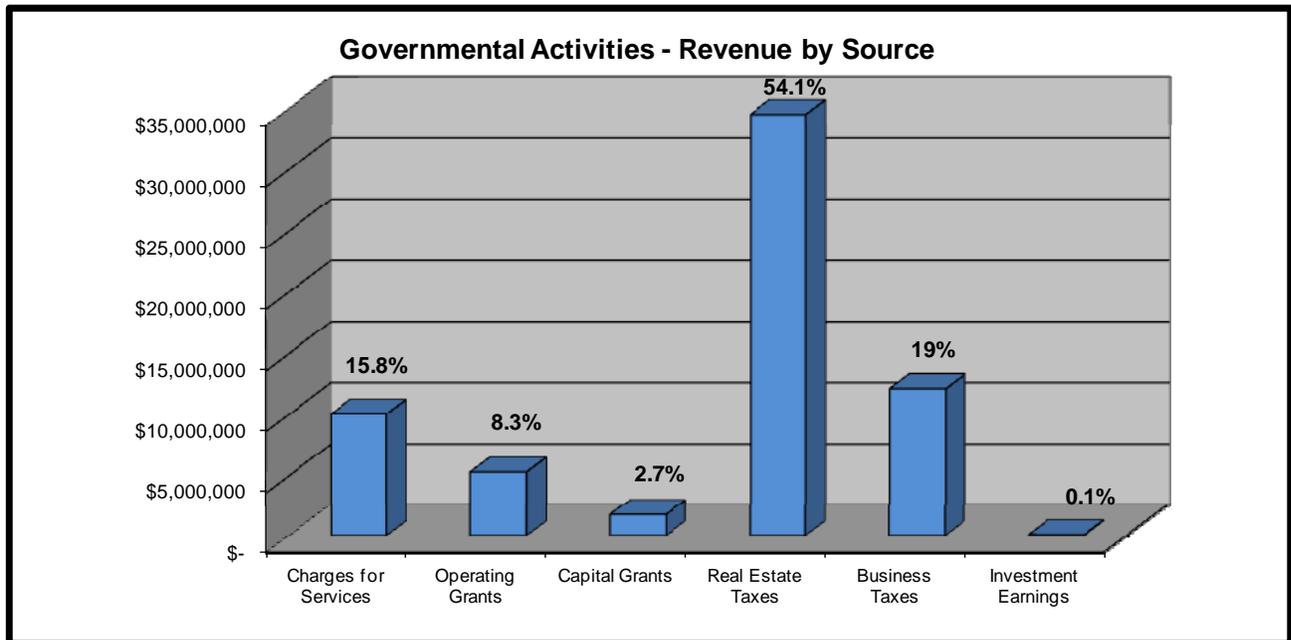
Management's Discussion and Analysis

December 31, 2013

For the fiscal year ended December 31, 2013, revenues from governmental activities totaled \$63.7 million, an increase of \$0.6 million or 0.9% compared to the fiscal year 2012. Tax revenues of \$46.6 million, comprised of property tax, real estate transfer taxes and business privilege taxes, mercantile taxes, and local services taxes represent 73.1% of total revenues. The Township's real estate tax is the primary revenue source with a total taxable real estate assessment base of approximately \$7.430 billion for 2013. In 2013, the Township real estate tax rate was 4.19 mills, unchanged from 2012 and the real estate assessment base increased by \$26.5 million or 0.4% as compared to the fiscal year 2012. Overall, real estate tax revenue increased approximately \$0.7 million from \$33.8 million in 2012 to \$34.5 million in 2013. The increase is primarily attributed to a larger number of residential and commercial real estate sales transactions resulting in higher real estate transfers taxes collected in 2013.

Mercantile and business privilege tax revenue decreased \$1.3 million or 11% from \$11.4 million in 2012 to \$10.1 million in 2013. The decrease is primarily attributed to the receipt of significant disputed business tax obligations collected in 2012 as compared to 2013. The local services tax revenue generated \$2.0 million, an increase of \$0.2 million or 11.5% compared to fiscal year 2012.

As indicated by the following graph, the primary revenue source of the governmental activities is real estate taxes, comprised of 54.1% or \$34.5 million of the total revenues.



Charges for services revenue of \$10.0 million represented 15.8% of the total governmental activities revenue, an increase of \$0.9 million or 9.7% from the fiscal year 2012. The Township's license and permit fee revenue, which is included in the charges for services revenue category increased \$0.6 million or 13.8% from \$4.6 million in 2012 to \$5.2 million in 2013. The Township issued 5,488 building permits in 2013 as compared to 5,126 in 2012, an increase of 7%.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

Operating grants and contributions of \$5.3 million represented 8.3% of the total governmental activities revenue, which is relatively unchanged from the fiscal year 2012. The Township received \$0.9 million in U.S. Department of Housing and Urban Development grant funds, as well as \$1.2 million of highway aid and approximately \$2.8 million of grants from the Federal Government, Commonwealth of Pennsylvania and Montgomery County (Pennsylvania) for general government, public safety and economic and community development.

Capital grants and contributions, which account for \$1.7 million or 2.7% of the total governmental activities revenue is \$0.2 million or 12.7% higher than the fiscal year 2012. In 2013, the Township received \$1.1 million of grant funding from the Federal Government for the construction of the Cynwyd Heritage Trail and the Pennswood Bridge and Anderson Avenue Underpass projects. In addition, the Lower Merion Library Foundation contributed \$0.4 million toward the Township's library system facility improvements.

For the fiscal year ended December 31, 2013, expenses represented by governmental activities include: general government; public safety; building and planning; public works; libraries and recreation; community development; and interest on long-term debt. Expenses for governmental activities totaled approximately \$62.9 million, an increase of \$0.7 million or 1.2% as compared to the fiscal year 2012.

Public safety accounted for \$26.7 million or 42.4% of these governmental activities and is used to provide police services, including traffic safety and auxiliary services. This also includes fire services and operating contributions to the Township's six volunteer fire companies. These costs increased approximately \$0.1 million or 0.5% as compared to the prior fiscal year. The increase is primarily attributed to higher costs for salaries and wages and employee benefits in 2013, offset by significantly lower capital outlay costs allocated to the public safety function in 2013 as compared 2012.

General government accounted for \$11.4 million or 18.2% of these governmental activities and is used to support services for the general administrative operations of the Township. These costs increased \$0.5 million or 4.9% as compared to the prior fiscal year. The increase was primarily related to higher costs for capital depreciation, salaries and wages, employee benefits and debt service. This area covers the Township's general administrative operations including finance, human resources, information services, public information and parking services.

Public works accounted for \$8.3 million or 13.2% of these governmental activities and primarily covers maintenance improvement costs for the roadways, traffic and street lighting, facilities maintenance and the Township's trees along streets and in the parks. These costs increased \$0.1 million or 1.3% as compared to the prior fiscal year. The increase was primarily related to higher costs for salaries and wages and employee benefits offset by lower capital asset outlay costs in 2013 as compared to 2012.

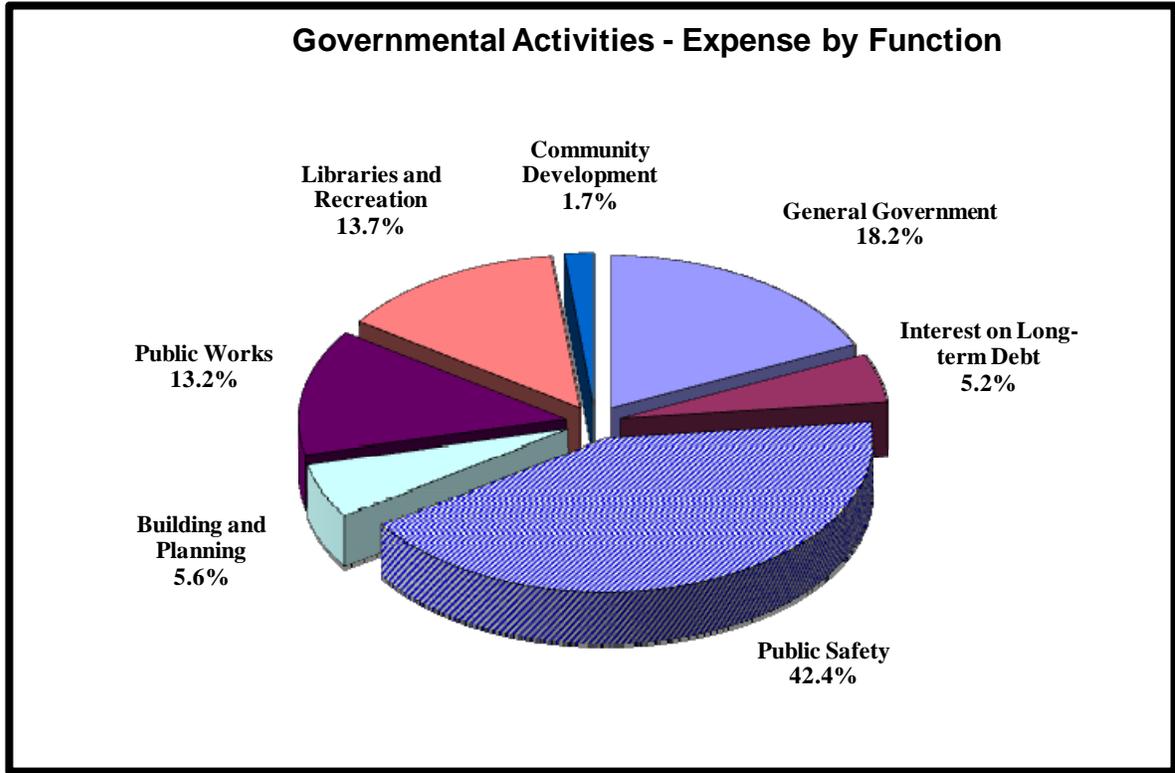
Libraries and recreation accounted for \$8.6 million or 13.7% of these governmental activities. These costs increased \$0.5 million or 6.1% as compared to the prior fiscal year. The majority of the increase is a result of cost increases for salaries, wages, employee benefits and capital asset outlay.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management’s Discussion and Analysis

December 31, 2013

The following graph shows the total expenses by function/program for the governmental activities:



The remaining expense is comprised of building and planning of \$3.5 million or 5.6% and community development of \$1.1 million or 1.7% of these governmental activities. In 2013, these total expenses decreased \$0.6 million or 14% as compared to the prior fiscal year. The decrease was primarily related to lower federal and state grant funding in 2013 as compared to 2012. These costs include building safety, sound development planning, and promotion of economic development. This area also covers federal grant programs which help provide funding to benefit low and moderate-income people. Expenditures fluctuate with the level of annual grant funding available to the Township.

Interest on long-term debt accounted for \$3.2 million or 5.2% of these governmental activities. In 2013, these total expenses increased \$0.1 million or 3.3% as compared to the prior fiscal year due to debt refinancing and interest payments of existing debt in 2013.

Business-Type Activities

Business-type activities increased the Township’s net position by approximately \$1.1 million, which accounts for a 7.3% increase in business-type activities net position.

For the fiscal year ended December 31, 2013, revenues from business-type activities totaled \$15.0 million, an increase of \$0.6 million or 3.9% compared to the fiscal year 2012. Charges for services account for 97.8% or \$14.7 million of the total revenues. Overall, this revenue source is primarily earned through sanitary sewer

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

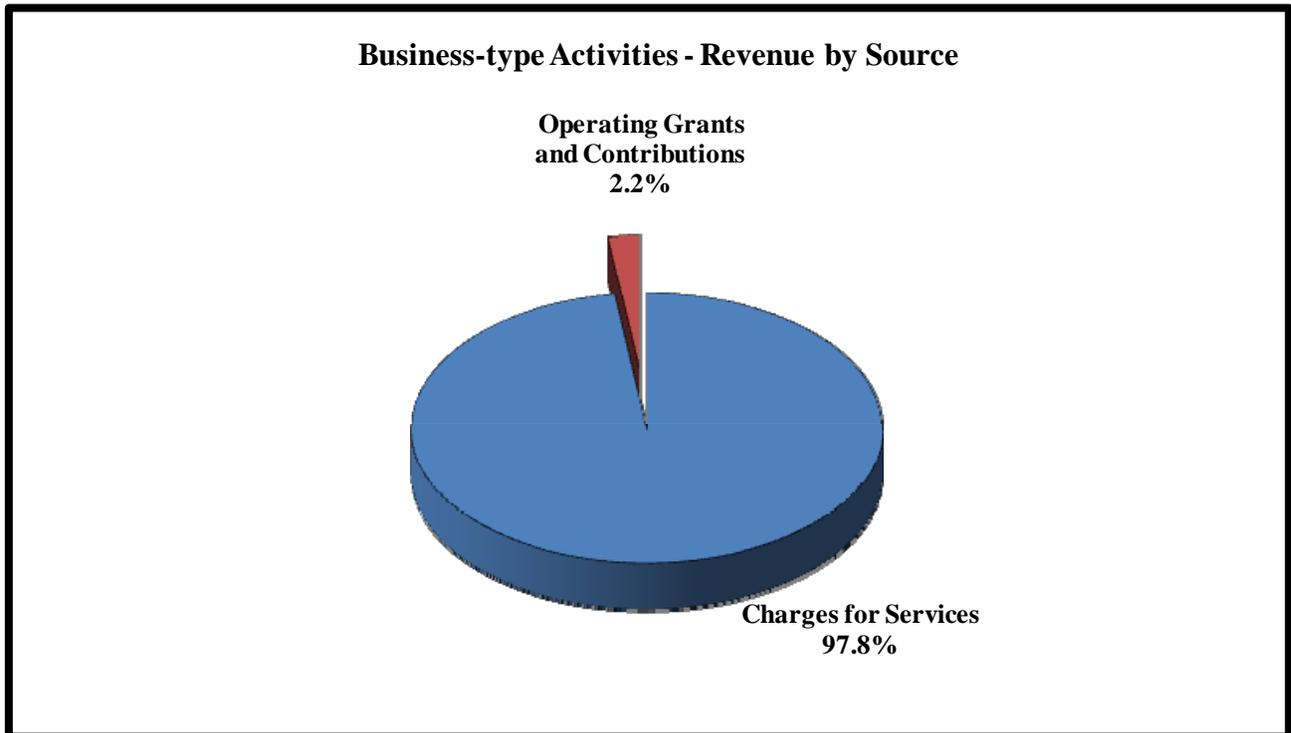
December 31, 2013

rent fees and charges for services of \$8.3 million and solid waste collection fees and charges for services of \$6.4 million and total operating grants and contributions of \$0.3 million. The Township's sanitary sewer rent fee is based on water consumption, which fluctuates with annual water usage.

In 2013, the Township's billable water usage increased 3.1% to 1.738 billion gallons from 1.685 billion gallons in 2012. As a result, in 2013 the sanitary sewer rental fee remained unchanged from 2012 at \$4.51 per 1,000 gallons of water used. The 2013 sanitary sewer rental fee revenues are \$8.3 million or \$0.2 million higher than the fiscal year 2012. In 2010, the Township implemented a new solid waste fee structure at full cost recovery and this rate structure remained unchanged through 2012. However, in 2012 and 2013 the recycling materials resale market was volatile, creating unfavorable revenue performance of the Township's mixed paper and increasing costs for the disposal of commingled recyclables. The combination of decreased revenue, higher recycling disposal costs, and flat to minimally declining customer subscriptions (since 2010) created the need for new net revenue to balance operating revenues and expenditures in 2013. In 2013, the solid waste fees increased 9% across the board, except for the \$200 rear-yard collection fee.

Operating grants and contributions which account for \$0.3 million or 2% of the total business-type activities revenue increased by \$0.03 million or 11% as compared to the prior fiscal year. The operating grant funding in 2013 is directly related to the Township's portion of the annual recycling performance grant funding from the Commonwealth of Pennsylvania, which is a revenue source of the solid waste operations. The grant awards are based on the total tons recycled in the previous year and the municipality's recycling rate.

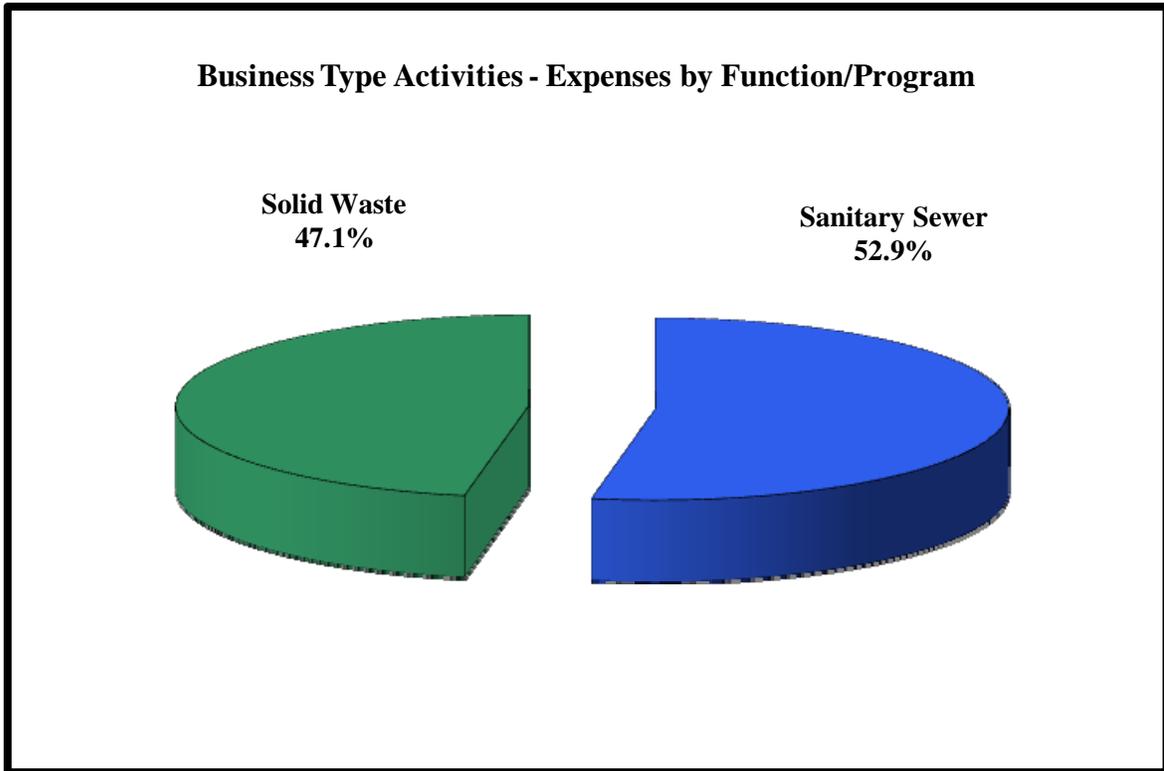
Below are graphs showing the major revenues and expenditures by source for the business-type activities:



TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013



For the fiscal year ended December 31, 2013, expenses for business-type activities totaled \$14.1 million, an increase of \$0.1 million or 0.7% as compared to the fiscal year 2012.

The major functions represented by business-type activities are the sanitary sewer of \$7.4 million and solid waste of \$6.6 million. The expenses for sanitary sewer increased \$0.07 million or 0.9% compared to the fiscal year 2012. This is a result of higher costs for salaries and wages, employee benefits, materials and supplies, offset by lower costs for wastewater disposal and depreciation expense as compared to 2012. The Township and the City of Philadelphia have a long-term agreement for disposal and treatment of the Township's wastewater. In 2013, the Township paid approximately \$2.4 million or 32% of the total sanitary sewer expenses for disposal of wastewater, primarily to the City of Philadelphia. This expense was flat in 2013 as compared to 2012 and fluctuates annually with water consumption and weather patterns.

In addition, the Township has a long-term agreement with the Montgomery County Waste System Authority (WSA) for disposal of refuse. The Township expended \$1.1 million for disposal of refuse in 2013. This cost represents 16% of the total solid waste expenditures. In 2013, the WSA tipping fee for disposal of refuse was \$65 per ton, unchanged from 2012. This expense was flat in 2013 as compared to 2012 and has remained stable in recent years.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

Financial Analysis of the Township's Funds

Governmental Funds

The governmental funds are comprised of the general fund, highway aid fund, community development fund, and capital projects fund. The general fund and capital projects fund are the Township's major funds and the highway aid fund and community development funds are the Township's nonmajor governmental funds. The measurement 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 serves as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2013, the Township's governmental funds reported a combined ending fund balance of \$24.5 million, a decrease of \$5.0 million or 25.3% from fiscal year 2012. Approximately 74% or \$18.1 million of this total amount constitutes unassigned fund balance, which is available to meet the Township's current and future needs. The remainder of fund balance of \$6.4 million or 26% is allocated to nonspendable, restricted, committed and assigned fund balance to indicate that it is not available for new spending.

The general fund is a major fund that is the primary operating fund of the Township. As of December 31, 2013, unassigned fund balance of the general fund was \$18.2 million. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.3% of total fund expenditures, net of transfers out, for the year ended December 31, 2013.

One of the Township's principal financial policies is to maintain a minimum year-end general fund undesignated fund balance no less than 12% of that year's total general fund operating expenditures. Undesignated fund balance is defined as those financial resources available for spending and therefore not reserved for specific purposes such as encumbrances. Further, the policy includes a goal of the Township to maintain a year-end general fund undesignated fund balance within the range of 15% and 18% of that year's total general fund expenditures. Undesignated general fund balance is defined as those financial resources available for spending and, therefore, not reserved for specific purposes such as encumbrances. In 2012 and 2013, the Township General Fund budgets planned for a drawdown of fund balance such that ending fund balance would move closer to the mid-point of the policy goal range. The 2013 General Fund budget forecasted an ending fund balance of approximately 21.6% of the 2013 expenditures. However, with the actual receipt of unanticipated one-time business tax revenue, better than expected revenue and expenditure performance, the General Fund fund balance increased by \$3.1 million to \$20.2 million or 36.4% of the total general fund expenditures.

The capital projects fund is a major fund that is used to account for general obligation bond proceeds, grant revenues, and other revenues. These revenues are utilized by the Township to provide funding for projects, such as equipment, facilities, and infrastructure improvements. In 2013, the Township issued \$9.9 million (one year borrowing) of general obligation bonds, which was used to finance various capital projects approved in the Capital Improvement Program Budget for the years 2013 and part of 2014.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

Proprietary Funds

The Township's proprietary funds provide the same type of information found in the government-wide financial statements. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for the sanitary sewer and solid waste operations. *Internal service funds* are used to accumulate and allocate costs internally among the Township's various functions. The Township uses internal service funds to account for uninsured general liability claims, insurance deductibles and equipment (fleet and communications) maintenance and replacement. These two funds are the self-insurance trust fund and the equipment fund. Please refer to the business-type activities section listed previously for discussion on the activity in the proprietary funds.

The unrestricted net position of the sanitary sewer fund at December 31, 2013 totaled \$10.5 million and \$0.7 million for the solid waste fund. Additionally, the sanitary sewer fund has \$4.3 million of net investment in capital assets.

Unrestricted net position of the Township's equipment fund for the year ended December 31, 2013 totaled \$9.1. Additionally, the equipment fund has \$5.4 million of net position invested in capital assets, net of related debt. The unrestricted net position of the equipment fund is the source of funding for future replacement of vehicle and communications equipment owned by the Township, which is primarily assigned to the enterprise funds (sanitary sewer and solid waste) and the general fund. Prior to 2010, it was the Township's policy and practice to maintain an equipment replacement reserve close to the accumulated depreciation on all Township vehicles and communication equipment supported by the equipment fund. However, in 2010, 2011, 2012 and 2013 the Township reduced its General Fund annual contributions for scheduled equipment replacements by fifty percent. In 2012, \$1 million of unbudgeted funds were transferred into the Equipment Fund from General Fund reserves to replenish Equipment Fund reserves for future scheduled asset replacements, no such transfers were made in 2013.

General Fund Budgetary Highlights

The Township's approved 2013 budget included total revenues of \$55.1 million, including transfers in of approximately \$1.2 million and total expenditures of \$58.2 million. For the year ended December 31, 2013, the 2013 budget remained unchanged from the approved amounts.

Financial performance of the General Fund in 2013 was positive when compared to Budget. Actual revenue was higher than budgetary levels by approximately 8% or \$4.3 million while the Township realized expenditure savings of 3.4% or \$2.0 million of the expenditure budget. In addition to \$2.0 million of realized budgetary savings, the 2013 Budget included \$0.7 million of negative appropriations to account for anticipated expenditure savings, which was achieved.

The General Fund 2013 budget included a structural imbalance of \$3.2 million; however, good budgetary performance resulted in operating revenues exceeding expenditures. The General Fund ended 2013 with a \$3.1 million surplus and eliminated the need to use the budgeted \$3.2 million reserve. In 2013, the Township Real Estate Tax rate was 4.19 mills, unchanged from 2012. Real estate taxes are the Township's primary source of General Fund revenues and represented 58.3% or \$34.6 million of the total revenues in 2013.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

Overall, revenue performance of the General Fund in 2013 was positive when compared to budget. During the year, general fund revenues were higher than the 2013 budget. Actual revenues, net of transfers in, were \$58.2 million for 2013. Mercantile, business and local services taxes exceeded budget by \$2.1 million or 21%. This revenue performance was primarily due to the receipt of one time disputed business tax obligations paid to the Township in 2013. In addition, the local services tax was \$0.3 million or 16.8% higher than budget. Real estate taxes exceeded budget by \$1.2 million or 3.5%. This was primarily attributed to the real estate transfer tax, which exceeded budget by \$0.8 or 28.7%. The local housing market improved through 2013, which resulted in a higher number of residential and commercial real estate transaction as compared 2012.

The Township realized approximately \$2.0 million of expenditure savings, net of transfers out, which was primarily achieved in personnel costs. These savings were a result of ongoing cost containment and budgetary savings practices across all functions. In recent years, the Township's financial success has been largely dependent upon controlling expenses and planning ahead for the financial challenges projected in the future.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounted to \$231.1 million (net of accumulated depreciation), an increase of \$1.7 million or 0.7% over the fiscal year 2012. This investment in capital assets includes land, land improvements, buildings, building improvements, machinery, equipment, infrastructure, and construction in progress.

Major capital asset transactions/events during the year ended December 31, 2013 included the following:

- Construction and renovation of the Bala Cynwyd Library (completed in 2013) and acquisition of the Penn Wynne Library
- Various rotomilling and road reconstruction projects of Township roads
- Streetscape and lighting improvements along Bala Avenue
- Various park facilities improvements including the renovation of comfort stations
- Various storm water facilities management projects to continue to resolve identified recurring drainage problems in various specified locations in the Township

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

**Capital Assets
(Net of Depreciation)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 90,760,590	\$ 90,571,789	\$ —	\$ —	\$ 90,760,590	\$ 90,571,789
Land improvements	3,433,481	3,589,356	—	—	3,433,481	3,589,356
Buildings	30,882,913	24,750,306	1,084,286	1,198,764	31,967,199	25,949,070
Building improvements	5,913,831	6,283,418	—	—	5,913,831	6,283,418
Machinery and equipment	12,845,042	12,700,239	—	—	12,845,042	12,700,239
Infrastructure	52,504,400	55,626,673	18,402,995	18,313,516	70,907,395	73,940,189
Construction in progress	14,313,961	16,407,961	950,534	486,082	15,264,495	16,894,043
Total	<u>\$ 210,654,218</u>	<u>\$ 209,929,742</u>	<u>\$ 20,437,815</u>	<u>\$ 19,998,362</u>	<u>\$ 231,092,033</u>	<u>\$ 229,928,104</u>

Additional information on the Township's capital assets can be found in note 4 to the financial statements.

Long-Term Debt

As of December 31, 2013, the Township had total bonded debt outstanding of approximately \$102.8 million. The Township's total debt increased by \$2.9 million or 2.9% due to issuance of new debt and principal payments of existing debt in 2013.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2011</u>
General obligation bonds	\$ 87,072,404	\$ 84,023,568	\$ 15,687,596	\$ 15,866,432	\$ 102,760,000	\$ 99,890,000

In 2013, Standard & Poor's Rating Service reaffirmed the Township's "AAA" rating and Moody's Investors Service reaffirmed the Township's "Aaa" rating. These are the highest ratings attainable from both rating services and reflect the strong financial management, manageable debt levels and stable economy of the Township. In addition, for the third consecutive year, the Township's management practices were rated strong under Standard and Poor's Financial Management Assessment (FMA). An FMA of strong indicates that the Township's practices are strong, well embedded and likely sustainable, which includes policies governing funding, use and replenishment of reserves and conservative approaches to budget formulation. This confirms the rating agencies' confidence in the Township's financial management and its economic outlook. The Township is in a select group of only six Townships in the United States that have AAA ratings from two of the national rating agencies. These ratings mean that the Township's general obligation bonds are considered excellent investment quality, allowing the Township to borrow at the lowest possible interest rates, which translates to tangible savings.

In 2013, during a historically low interest rate period for municipal borrowers, the Township held a competitive bond sale and issued a total \$9.9 million of General Obligation Bonds. Proceeds of the Bonds were applied towards funding the Township's 2013 and 2014 Capital Improvement Program.

Additional information on the Township's long-term debt can be found in note (6) to the financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management’s Discussion and Analysis

December 31, 2013

Economic Factors and Fiscal Year 2014 Budget

The Township’s December 2013 unemployment rate was 4%, which was significantly lower than the state and nation and represents a moderate decrease from the December 2012 rate of 4.8%. As a comparison, Pennsylvania was 6.8% in December 2013 and 7.9% in 2012, while the Philadelphia Metropolitan area was 6.4% in December 2013 and 8.3% in December 2012.

Year	United States	Pennsylvania	Philadelphia Metropolitan Area	Township of Lower Merion
December of 2012	7.9%	7.9%	8.3%	4.8%
December of 2013	6.7%	6.8%	6.4%	4.0%

Highlights of the Township’s 2014 Budget include:

- The Township’s Real Estate Tax millage rate remained unchanged for 2014.
- The 2013 Solid Waste Fee structure increased 5.4% in 2014 as follows: one mini can to \$205 (from \$195), one container per week subscription to \$292 (from \$277) plus \$58 (from \$55) for each additional can. The Rear Yard Collection Fee (\$200) for refuse and recycling placed more than five feet from the curb line was increased to \$210 for 2014. The new fees were effective January 1, 2014.
- In 2014, the Sanitary Sewer rental rate was unchanged at \$4.51 per 1,000 gallons of water used.
- The 2014 General Fund revenue budget is \$57.2 million, which is \$2.1 million or 3.9% higher as compared to the 2013 Budget.
- The 2014 General Fund expenditure budget is \$59 million, which is \$0.8 million or 1.3% higher as compared to the 2012 Budget.
- The 2014 General Fund budget expenditures exceed revenue by \$1.8, requiring a planned budgeted drawdown of fund balance.
- The 2014 General Fund budget includes \$1.5 million of estimated negative appropriations (budgetary savings) in Non-Departmental (Department 70).
- The Township’s 2014 budgeted full time equivalent (FTE) personnel levels decreased from the 2013 Budget level (481.4) to 479.6 in 2014.

Highlights of the Township’s Capital Improvement Program 2014-2019 include:

Proposed capital improvements, in the aggregate principal amount of approximately \$180.2 million for 81 projects over the six-year period including those funded from the Township general obligation bond proceeds and Federal/State/County Grants and private development funds, are as follows:

- Reconstruction of roads and bridges throughout the Township
- Construction of the Manayunk bridge trail extension
- Implementation of the Ardmore Transit Center and business district revitalization plan

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Management's Discussion and Analysis

December 31, 2013

- Development of City Avenue Transportation Service Area Improvement Program
- Purchase of major equipment for Parks and Public Works Departments
- Reconstruction of the Penn Wynne and Ardmore Libraries
- Construction of storm water management systems
- Performance of inflow and infiltration storm water maintenance
- Extension of and replacement of sanitary sewer lines
- Improvement of sanitary sewer pump stations
- Upgrading of the parks, trails and recreation facilities
- Replacement of fire apparatus and provide major repairs and renovations to the Township volunteer fire stations

Contacting the Township's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the financial resources it receives. Questions concerning this report or requests for additional financial information should be directed to Dean J. Dortone, Chief Financial Officer, Township of Lower Merion, 75 East Lancaster Avenue, Ardmore, Pennsylvania 19003, telephone (610) 645-6139, or visit the Township's web site at www.lowermerion.org.



Basic Financial Statements



Government-Wide Financial Statements

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Net Position

December 31, 2013

	Primary government		
	Governmental activities	Business-type activities	Total
Assets and Deferred Outflows of Resources:			
Assets:			
Cash and cash equivalents	\$ 22,148,825	\$ 1,660,749	\$ 23,809,574
Investments	19,455,642	1,693,632	21,149,274
Taxes receivable, net	634,752	89	634,841
Accounts receivable, net	2,489,685	2,114,786	4,604,471
Loans receivable	662,489	—	662,489
Special assessment receivable, net	—	438,524	438,524
Grants receivable	112,317	223,280	335,597
Internal balances	68,361	(68,361)	—
Other assets	17,289	—	17,289
Net pension asset	2,442,850	—	2,442,850
Prepaid sewer services, net	—	6,016,474	6,016,474
Capital assets not being depreciated:			
Land	90,760,590	—	90,760,590
Construction in progress	14,313,961	950,534	15,264,495
Capital assets, net of accumulated depreciation:			
Land improvements	3,433,481	—	3,433,481
Buildings	30,882,913	1,084,286	31,967,199
Building improvements	5,913,831	—	5,913,831
Machinery and equipment	12,845,042	—	12,845,042
Infrastructure	52,504,400	18,402,997	70,907,397
Total assets	<u>258,686,428</u>	<u>32,516,990</u>	<u>291,203,418</u>
Deferred outflows of resources:			
Deferred charges on refunding	2,806,570	347,817	3,154,387
Total assets and deferred outflows of resources	<u>261,492,998</u>	<u>32,864,807</u>	<u>294,357,805</u>
Liabilities, Deferred Inflows of Resources and Net Position:			
Liabilities:			
Accounts payable and accrued expenses	3,614,202	738,425	4,352,627
Interest payable	1,596,274	281,060	1,877,334
Escrow deposits	4,844,822	—	4,844,822
Unearned revenue	1,764,234	223,062	1,987,296
Noncurrent liabilities:			
Unfunded other post employment benefits obligation	10,725,552	—	10,725,552
Pollution remediation obligation	292,200	—	292,200
Due within one year	6,982,959	1,324,453	8,307,412
Due in more than one year	83,727,460	14,847,322	98,574,782
Total liabilities	<u>113,547,703</u>	<u>17,414,322</u>	<u>130,962,025</u>
Net position:			
Net investment in capital assets	123,749,680	4,266,042	128,015,722
Restricted for:			
Community development	511,513	—	511,513
Unrestricted	23,684,102	11,184,443	34,868,545
Total net position	<u>\$ 147,945,295</u>	<u>\$ 15,450,485</u>	<u>\$ 163,395,780</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Activities

Year ended December 31, 2013

Functions/programs	Expenses	Program revenues			Net (expenses) revenues and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 11,412,480	\$ 4,664,320	\$ 271,368	\$ 577,245	\$ (5,899,547)	\$ —	\$ (5,899,547)
Public safety	26,667,796	777,712	1,764,421	56,788	(24,068,875)	—	(24,068,875)
Building and planning	3,534,124	2,852,116	127,889	—	(554,119)	—	(554,119)
Public works	8,313,270	324,217	1,919,117	575,050	(5,494,886)	—	(5,494,886)
Libraries and recreation	8,604,486	1,270,516	253,437	525,000	(6,555,533)	—	(6,555,533)
Community development	1,084,620	143,902	970,392	—	29,674	—	29,674
Interest on long-term debt	3,236,576	—	—	—	(3,236,576)	—	(3,236,576)
Total governmental activities	<u>62,853,352</u>	<u>10,032,783</u>	<u>5,306,624</u>	<u>1,734,083</u>	<u>(45,779,862)</u>	<u>—</u>	<u>(45,779,862)</u>
Business-type activities:							
Sanitary Sewer	7,435,924	8,269,659	90,956	—	—	924,691	924,691
Solid waste	6,619,972	6,419,896	231,451	—	—	31,375	31,375
Total business-type activities	<u>14,055,896</u>	<u>14,689,555</u>	<u>322,407</u>	<u>—</u>	<u>—</u>	<u>956,066</u>	<u>956,066</u>
Total	<u>\$ 76,909,248</u>	<u>\$ 24,722,338</u>	<u>\$ 5,629,031</u>	<u>\$ 1,734,083</u>	<u>(45,779,862)</u>	<u>956,066</u>	<u>(44,823,796)</u>
General revenues:							
Taxes:							
Real estate taxes					34,460,011	—	34,460,011
Mercantile and business privilege taxes					10,112,081	—	10,112,081
Local services tax					1,985,613	—	1,985,613
Interest					72,297	4,281	76,578
Transfers					(96,281)	96,281	—
Total general revenues and transfers					<u>46,533,721</u>	<u>100,562</u>	<u>46,634,283</u>
Change in net position					753,859	1,056,628	1,810,487
Net position, January 1, as restated (Note 14)					147,191,436	14,393,857	161,585,293
Net position, December 31					<u>\$ 147,945,295</u>	<u>\$ 15,450,485</u>	<u>\$ 163,395,780</u>

See accompanying notes to basic financial statements.



Fund Financial Statements

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Balance Sheet

Governmental Funds

December 31, 2013

Assets	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 16,462,459	\$ 425,162	\$ 29,835	\$ 16,917,456
Investments	10,520,000	4,905,807	—	15,425,807
Taxes receivable, net	634,752	—	—	634,752
Accounts receivable, net	1,794,147	169,593	500,000	2,463,740
Loan receivable	—	—	662,489	662,489
Grants receivable	1,853	23,764	86,700	112,317
Due from other funds	164,754	—	—	164,754
Prepaid expense	17,289	—	—	17,289
Total assets	\$ 29,595,254	\$ 5,524,326	\$ 1,279,024	\$ 36,398,604
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)				
Liabilities:				
Accounts payable and accrued expenditures	2,594,274	760,372	86,471	3,441,117
Due to other funds	—	—	96,393	96,393
Escrow deposits	4,646,595	181,560	16,667	4,844,822
Unearned revenue	961,870	139,875	662,489	1,764,234
Estimated claims costs payable	584,130	—	—	584,130
Total liabilities	8,786,869	1,081,807	862,020	10,730,696
Deferred inflows of resources:				
Unavailable revenue	635,679	—	500,000	1,135,679
Total deferred inflows of resources	635,679	—	500,000	1,135,679
Fund balances (deficit):				
Nonspendable:				
Prepaid expense	\$ 17,289	\$ —	\$ —	\$ 17,289
Restricted:				
Community development	—	—	11,513	11,513
Committed:				
Capital projects	—	4,442,519	—	4,442,519
Assigned:				
Subsequent year's budget	1,815,747	—	—	1,815,747
General government	118,480	—	—	118,480
Unassigned	18,221,190	—	(94,509)	18,126,681
Total fund balances (deficit)	20,172,706	4,442,519	(82,996)	24,532,229
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 29,595,254	\$ 5,524,326	\$ 1,279,024	\$ 36,398,604
Total Fund Balances – All Governmental Funds, December 31, 2013				\$ 24,532,229
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				210,654,218
Net pension asset is not a current financial resource and therefore is not included in the governmental funds.				2,442,850
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.				1,135,679
Excess reacquisition cost of refunded bonds is a deferred outflow of resources, which is not recognized in the current period, and therefore not reported in the fund statements.				2,806,570
Internal service funds are used by management to charge the costs of equipment and self-insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.				9,114,064
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Interest payable				(1,596,274)
Long-term portion of claims payable				(415,181)
Unfunded other post employment benefits obligation				(10,725,552)
Pollution remediation obligation				(292,200)
Long-term debt, net				(89,711,108)
Net position of governmental activities				\$ 147,945,295

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Governmental Funds

Year ended December 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Real estate taxes	\$ 34,578,013	\$ —	\$ —	\$ 34,578,013
Licenses and permits	5,247,353	—	—	5,247,353
Business and other taxes	12,097,694	—	—	12,097,694
Fines, forfeits, and costs	1,142,692	—	—	1,142,692
Interest	46,407	1,471	347	48,225
Intergovernmental	536,518	1,467,559	4,914,008	6,918,085
Departmental earnings	2,354,755	—	—	2,354,755
Other	654,731	489,350	—	1,144,081
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	56,658,163	1,958,380	4,914,355	63,530,898
Expenditures:				
Current:				
General government	5,016,942	—	—	5,016,942
Public safety	22,951,764	—	2,615,246	25,567,010
Building and planning	3,339,930	—	—	3,339,930
Public works	7,325,436	—	—	7,325,436
Libraries and recreation	6,960,867	—	—	6,960,867
Community development	—	—	1,084,620	1,084,620
Debt service:				
Principal	5,892,664	—	—	5,892,664
Interest	3,130,263	—	—	3,130,263
Bond issuance costs	—	64,256	—	64,256
Capital outlays	—	9,037,880	—	9,037,880
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	54,617,866	9,102,136	3,699,866	67,419,868
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	2,040,297	(7,143,756)	1,214,489	(3,888,970)
Other financing sources (uses), including transfers:				
Transfers in	1,181,042	—	—	1,181,042
Transfers out	(96,281)	—	(1,181,042)	(1,277,323)
Issuance of debt	—	8,941,500	—	8,941,500
Bond premium	—	2,828	—	2,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,084,761	8,944,328	(1,181,042)	8,848,047
Net change in fund balances	3,125,058	1,800,572	33,447	4,959,077
Fund balances (deficit) – beginning of period	<hr/>	<hr/>	<hr/>	<hr/>
	17,047,648	2,641,947	(116,443)	19,573,152
Fund balances (deficit)– end of period	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 20,172,706	\$ 4,442,519	\$ (82,996)	\$ 24,532,229

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit) of Governmental Funds to the Statement of Activities

Year ended December 31, 2013

Net change in fund balance – total governmental funds	\$	4,959,077
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays 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 of \$ 9,032,337 exceeded depreciation of \$8,155,634 and loss on disposal of assets of \$342,040 in the current period.		534,663
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(118,002)
Net pension asset does not provide current financial resources and therefore changes in the net pension asset are not reported as expenditures or revenues in the funds.		12,054
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of deferred gain or loss, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond proceeds		(8,941,500)
Debt principal payments		5,892,664
Bond premiums, discounts, and deferred gain or loss		(9,579)
		(3,058,415)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds:		
Accrued interest expense		(106,313)
Decrease in long-term portion of claims payable		283,045
Increase in net other post employment benefits obligations		(1,792,569)
		(1,615,837)
Internal service funds are used by management to charge the costs of equipment and self-insurance to the individual funds. The net expense of the internal service funds, including \$1,473,762 of depreciation, is reported with governmental funds		40,319
Change in net position of governmental activities	\$	753,859

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Net Position

Proprietary Funds

December 31, 2013

Assets and Deferred Outflows of Resources:	Business-type activities – enterprise funds			Governmental activities – internal service funds
	Sanitary Sewer Fund	Solid Waste Fund	Total	
Current assets:				
Cash and cash equivalents	\$ 1,553,087	\$ 107,662	\$ 1,660,749	\$ 5,261,204
Investments	1,693,632	—	1,693,632	4,000,000
Accrued interest receivable	89	—	89	218
Accounts receivable, net	380,927	301,442	682,369	25,727
Special assessment receivable, net	32,427	—	32,427	—
Grants receivable	—	223,280	223,280	—
Total current assets	3,660,162	632,384	4,292,546	9,287,149
Noncurrent assets:				
Accounts receivable, net	1,216,195	216,222	1,432,417	—
Special assessment receivable, net	406,097	—	406,097	—
Prepaid sewer services, net	6,016,474	—	6,016,474	—
Capital assets:				
Land and construction in progress	950,534	—	950,534	—
Depreciable infrastructure, buildings, machinery, and equipment, net of accumulated depreciation	19,487,283	—	19,487,283	5,400,521
Total noncurrent assets	28,076,583	216,222	28,292,805	5,400,521
Total assets	31,736,745	848,606	32,585,351	14,687,670
Deferred outflows of resources:				
Excess reacquisition cost of refunded bonds	347,817	—	347,817	—
Total assets and deferred outflows of resources	32,084,562	848,606	32,933,168	14,687,670
Liabilities, Deferred Inflows of Resources and Net Position:				
Current liabilities:				
Accounts payable and accrued expenses	587,425	151,000	738,425	173,085
Interest payable	281,060	—	281,060	—
Due to other funds	68,361	—	68,361	—
Unearned revenue	14,060	—	14,060	—
Current portion of long-term debt	1,324,453	—	1,324,453	—
Total current liabilities	2,275,359	151,000	2,426,359	173,085
Noncurrent liabilities:				
Unearned revenue	209,002	—	209,002	—
Long-term portion of long-term debt	14,317,813	—	14,317,813	—
Bond premium	529,509	—	529,509	—
Total noncurrent liabilities	15,056,324	—	15,056,324	—
Total liabilities	17,331,683	151,000	17,482,683	173,085
Net Position				
Net position:				
Net investment in capital assets	4,266,042	—	4,266,042	5,400,521
Unrestricted	10,486,837	697,606	11,184,443	9,114,064
Total net position	\$ 14,752,879	\$ 697,606	\$ 15,450,485	\$ 14,514,585

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended December 31, 2013

	<u>Business-type activities – enterprise funds</u>			<u>Governmental</u>
	<u>Sanitary Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>activities – internal service funds</u>
Operating revenues:				
Charges and fees	\$ 8,266,802	\$ 6,417,523	\$ 14,684,325	\$ —
Rentals	—	—	—	3,577,958
Other	2,857	2,373	5,230	3,825
Total operating revenues	<u>8,269,659</u>	<u>6,419,896</u>	<u>14,689,555</u>	<u>3,581,783</u>
Operating expenses:				
Salaries and wages	1,116,024	2,751,410	3,867,434	563,780
Employee benefits	436,892	1,127,062	1,563,954	205,097
Utilities, supplies, and other	3,901,377	2,741,500	6,642,877	1,649,724
Depreciation and amortization	1,382,970	—	1,382,970	1,473,762
Claim costs	—	—	—	18,122
Total operating expenses	<u>6,837,263</u>	<u>6,619,972</u>	<u>13,457,235</u>	<u>3,910,485</u>
Operating income (loss)	<u>1,432,396</u>	<u>(200,076)</u>	<u>1,232,320</u>	<u>(328,702)</u>
Nonoperating revenues and expenses:				
Intergovernmental	90,956	231,451	322,407	266,524
Interest expense	(598,661)	—	(598,661)	—
Interest income	2,234	2,047	4,281	24,072
Gain on Disposal of capital assets	—	—	—	78,425
Total nonoperating revenues and expenses	<u>(505,471)</u>	<u>233,498</u>	<u>(271,973)</u>	<u>369,021</u>
Income before contributions and operating transfers	926,925	33,422	960,347	40,319
Other financing sources (uses), including transfers				
Transfers in	—	96,281	96,281	—
Total other financing sources	<u>—</u>	<u>96,281</u>	<u>96,281</u>	<u>—</u>
Change in net position	926,925	129,703	1,056,628	40,319
Net Position:				
Net position, January 1, as restated (Note 14)	<u>13,825,954</u>	<u>567,903</u>	<u>14,393,857</u>	<u>14,474,266</u>
Net position, December 31	<u>\$ 14,752,879</u>	<u>\$ 697,606</u>	<u>\$ 15,450,485</u>	<u>\$ 14,514,585</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

Year ended December 31, 2013

	Business-type activities – enterprise funds			Governmental activities – internal service funds
	Sanitary Sewer Fund	Solid Waste Fund	Total	
Cash flows from operating activities:				
Receipts from customers	\$ 8,316,006	\$ 6,478,470	\$ 14,794,476	\$ 3,582,570
Other cash operating receipts	2,857	—	2,857	—
Payments to suppliers	(3,658,461)	(2,241,737)	(5,900,198)	(1,942,885)
Payments to employees	(1,550,433)	(3,873,147)	(5,423,580)	(766,112)
Payments for interfund services used	(268,514)	(803,086)	(1,071,600)	(142,822)
Net cash provided by (used in) operating activities	<u>2,841,455</u>	<u>(439,500)</u>	<u>2,401,955</u>	<u>730,751</u>
Cash flows from noncapital financing activities:				
Intergovernmental	90,956	448,835	539,791	266,524
Transfer from other funds	—	96,281	96,281	—
Net cash provided by noncapital financing activities	<u>90,956</u>	<u>545,116</u>	<u>636,072</u>	<u>266,524</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	993,500	—	993,500	—
Purchases of capital assets	(1,359,618)	—	(1,359,618)	(1,664,124)
Bond issuance costs	(7,139)	—	(7,139)	—
Acquisition of sewer treatment plant capacity	(121,051)	—	(121,051)	—
Principal paid on capital debt	(1,172,336)	—	(1,172,336)	—
Interest paid on capital debt	(576,803)	—	(576,803)	—
Proceeds from other funds	2,590	—	2,590	—
Proceeds from sale of capital assets	—	—	—	78,975
Net cash used in capital and related financing activities	<u>(2,240,857)</u>	<u>—</u>	<u>(2,240,857)</u>	<u>(1,585,149)</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	5,286,627	4,725,000	10,011,627	22,980,000
Purchase of investments	(5,965,402)	(4,725,000)	(10,690,402)	(24,480,000)
Interest and dividends received	2,234	2,046	4,280	34,710
Net cash provided by (used in) investing activities	<u>(676,541)</u>	<u>2,046</u>	<u>(674,495)</u>	<u>(1,465,290)</u>
Net increase (decrease) in cash and cash equivalents	15,013	107,662	122,675	(2,053,164)
Cash and cash equivalents, January 1	1,538,074	—	1,538,074	7,314,368
Cash and cash equivalents, December 31	<u>\$ 1,553,087</u>	<u>\$ 107,662</u>	<u>\$ 1,660,749</u>	<u>\$ 5,261,204</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Cash Flows (cont'd)

Proprietary Funds

Year ended December 31, 2013

	Business-type activities – enterprise funds			Governmental activities – internal service funds
	Sewer Fund	Solid Waste Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,432,396	\$ (200,076)	\$ 1,232,320	\$ (328,702)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,382,970	—	1,382,970	1,473,762
Effect of changes in operating assets and liabilities:				
Accounts receivable	49,204	50,582	99,786	786
Accounts payable and accrued expenses	(7,157)	(20,764)	(27,921)	(415,095)
Deferred revenue	(15,958)	(555)	(16,513)	—
Due to other funds	—	(276,681)	(276,681)	—
Due from other funds	—	7,994	7,994	—
Total adjustments	1,409,059	(239,424)	1,169,635	1,059,453
Net cash provided by (used in) operating activities	\$ 2,841,455	\$ (439,500)	\$ 2,401,955	\$ 730,751

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2013

	Pension Trust Funds	Appleford Private- Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ 2,293,215	\$ 101,000
Investments:		
Bond mutual funds	45,015,627	—
Equity mutual funds	117,808,741	—
Common stocks	14,503,670	—
Preferred stocks	813,333	—
Accrued interest receivable	151,696	—
Total assets	<u>\$ 180,586,282</u>	<u>\$ 101,000</u>
Liabilities		
Accounts payable and accrued expenses	<u>101,117</u>	<u>—</u>
Total liabilities	101,117	—
Net Position		
Net Position:		
Held in trust for pension benefits	<u>180,485,165</u>	<u>101,000</u>
Total net position	<u>\$ 180,485,165</u>	<u>\$ 101,000</u>

See accompanying notes to basic financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended December 31, 2013

	<u>Pension Trust Funds</u>	<u>Appleford Private- Purpose Trust Fund</u>
Additions:		
Contributions:		
Employee contributions	\$ 100,311	\$ —
Other contributions	546,648	—
Commonwealth of Pennsylvania allocation	1,720,413	—
Total contributions	<u>2,367,372</u>	<u>—</u>
Investment return:		
Interest and dividends	3,319,464	—
Net appreciation of investments	24,788,902	—
Total investment return	<u>28,108,366</u>	<u>—</u>
Less investment expenses	<u>(171,408)</u>	<u>—</u>
Net investment return	<u>27,936,958</u>	<u>—</u>
Total additions	<u>30,304,330</u>	<u>—</u>
Deductions:		
Benefits paid	5,744,396	—
Administrative expenses	134,270	—
Other	77,245	—
Total deductions	<u>5,955,911</u>	<u>—</u>
Change in net position	24,348,419	—
Net position – beginning of the year	<u>156,136,746</u>	<u>101,000</u>
Net position – end of the year	<u>\$ 180,485,165</u>	<u>\$ 101,000</u>

See accompanying notes to basic financial statements.



Notes to Basic Financial Statements

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Township of Lower Merion (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

(a) *Financial Reporting Entity*

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the Township, which is a primary government, has evaluated all related entities for possible inclusion in the financial reporting entity. Consistent with the guidance contained in GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

(b) *Government-Wide and Fund Financial Statements*

The government-wide financial statements (the statement of net position and the statement of changes of net position) report information on all the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

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 tax revenues to be available if collected within 60 days of year-end, and if collected within 90 days of year-end for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences, other post-employment benefits, and workers' compensation claims, are recorded when payment is due. The Township accrues the debt service expenditures and workers compensation claims in the entity wide statements.

Taxes, grants, fees, interest income, and various intergovernmental revenues associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenue related to expenditure-driven grants is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for major capital expenditures, which include the maintenance and preservation of infrastructure as well as the acquisition of machinery and equipment, land, land improvements, and buildings, not financed by the internal service funds or enterprise funds.

The Township reports the following major proprietary funds:

The *sanitary sewer fund* provides sanitary sewer services to Township residents.

The *solid waste fund* provides waste management services to Township residents.

Proprietary funds are used to account for those activities that are financed and operated in a manner similar to private business enterprises. The cost of providing services on a continuing basis is recovered primarily through user charges.

Additionally, the Township reports the following additional funds:

Internal service funds account for the financing of services provided by a centralized department to other departments on a cost-reimbursement basis. The equipment fund and the self-insurance funds of the Township are accounted for as internal service funds. The equipment fund is reimbursed by other funds for the use of its vehicles and communications equipment. The Township was self-insured for general liability from 1986 through 1997. The self-insurance fund accounts for the residual activity of this program and other subsequent miscellaneous uninsured activities.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

The Township received an endowment, the income of which is used to maintain the Appleford property, which is located at the Banks Arboretum. The *private-purpose trust fund* is used to account for resources legally held in trust in which principal and income benefit the Appleford property. All resources of the fund, including earnings on invested resources, may be used to support the activities of the Appleford property. There is no requirement that any portion of these resources be preserved as capital.

The *pension trust funds* are used to report resources that are required to be held in trust for the members and beneficiaries of the Township's defined benefit plans. The Municipal Police Pension Plan and the Township Employees' Pension Plan are accounted for as pension trust funds.

1. Private-Sector Standards

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements and includes; Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

2. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Township's enterprise operations and various other functions of the Township's governmental operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Program Revenues

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

4. Operating Versus Nonoperating Items

Proprietary funds distinguish 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 Township's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include salaries, employee benefits, utilities and supplies, depreciation and amortization, and claim payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

5. Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. The levels are as follows:

Nonspendable: This category represents funds that are not in spendable form and includes such items as loans receivable and inventory. As of December 31, 2013, the Township has nonspendable fund balance related to prepaid expense.

Restricted: This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. At December 31, 2013, the Township had restrictions through grant agreements and debt covenants as described in the governmental fund balance sheet.

Committed: This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Township Board of Commissioners by resolution. Such a commitment, approved through a Township resolution must be made prior to the end of the fiscal year. Removal of this commitment also requires a resolution. As of December 31, 2013, the Township had no committed funds.

Assigned: This category represents intentions of the Township to use the funds for specific purposes. The authority to make assignments of fund balance may only be made by the Township Board of Commissioners and remains in place until the Board releases the assignments. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. Assigned fund balances as of December 31, 2013 are described in the governmental fund balance sheet.

Unassigned: This category includes the residual classification for the Township's General Fund and includes all spendable amounts not contained in other classifications. If a governmental fund other than the general fund has nonspendable, restricted, and committed fund balance in excess of total fund balance, the difference is reported as negative unassigned fund balance.

It is the Township's policy to use restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The Township's policy is to use funds in the order of the most restrictive to the least restrictive.

The Township's fund balance policy for the General Fund provides for a minimum Unassigned Fund balance of 12% of that year's total General Fund operating expenditures. In addition, it is the goals of the Township to maintain a minimum 15% and a maximum of 18%

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

of the Township's General Fund annual operating expenditures. The Township's fund balance policy also outlines conditions for the use of unassigned fund balance.

6. Classification of Net Position

The government-wide and proprietary fund financial statements are required to classify net position into three components; (a) net investment in capital assets; (b) restricted; and (c) unrestricted. These classifications are defined as follows:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted: This component of net position consists of constraints placed on assets through external restrictions or enabling legislation by the Township Board of Commissioners, reduced by liabilities related to those assets.
- Unrestricted: This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

7. Restricted Resources

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

8. Governmental Accounting Standards Board (GASB) Pronouncements

In November 2010, the GASB issued Statement No. 61; *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. The Township has implemented this Statement for the December 31, 2013 year-end with no impact to the Township's financial reporting entity.

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53; Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflows of resources and deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No, 60; Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Township has implemented this Statement for the December 31, 2013 year-end. This Statement required the write-off of previously deferred bond issuance costs. See note 14 for the effect of implementation of this Statement.

In April 2012, the GASB issued Statement No. 66; *Technical Corrections-2012 — an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54; *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62; *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and A/CPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34; *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13; *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48; *Sales and Pledges of Receivables and Future Revenues and Infra-Entity Transfers of Assets and Future Revenues*, respectively. The Township has implemented this Statement for the December 31, 2013 year-end with no impact to the Township's financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Pending Pronouncements: GASB has issued the following Statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Township's financial statements.

In June 2012, the GASB issued Statement *No. 67; Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50; *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement will become effective for the December 31, 2014 year-end. The Township is currently evaluating the effect of implementation of this Statement.

In June 2012, the GASB issued Statement *No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement will become effective for the December 31, 2015 year-end. The Township is currently evaluating the effect of implementation of this Statement.

In January 2013, the GASB issued Statement *No. 69 Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combination includes* a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurement of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement will become effective for the December 31, 2014 year-end. The Township is currently evaluating the effect of implementation of this Statement.

In April 2010, the GASB issued Statement *No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. This Statement will become effective for the December 31, 2014 year-end. The Township is currently evaluating the effect of implementation of this Statement.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(d) *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity*

1. Deposits and Investments

The Township's cash and cash equivalents consist of cash on hand and short-term investments with original maturities of three months or less.

As stated in the Commonwealth of Pennsylvania First Class Township Code (P.L. 1206, No. 331), the Township may invest operating funds in the following instruments:

- Short-term obligations of the U.S. government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits
- Obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, or of the Commonwealth of Pennsylvania or any of its agencies
- Certificates of deposit purchased from institutions that meet requirements set forth under Pennsylvania law (Act 72 of 1971)

The Township may also invest with trusts and other entities set up to specifically invest funds for Pennsylvania municipalities and legally restricted to allowable investment instruments under Pennsylvania law.

In addition to the investments authorized for governmental and proprietary funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice. The Township's pension fund investments include collateralized mortgage obligations (CMOs) in their portfolios. The CMOs are planned amortization class bonds, which are generally a safe type of tranche in a CMO issue. The bonds are issued by agencies of the U.S. government and have virtually no credit risk, but the timing of the receipt of cash flows is not certain and fluctuations in interest rates and prepayments will affect the market value of the securities. Periodically, the pension funds also enter into forward contracts to hedge underlying currency exposure related to equity holdings in foreign equities. The funds will only hedge underlying positions, so the Township is not leveraging or speculating on currency.

The Township's investments are stated at fair value. The Township participates in the Pennsylvania Local Government Investment Trust (PLGIT), which collateralizes funds on a pooled basis for participating municipalities. The pension trust funds are administered by outside trustees, and their investments are accounted for separately from other Township funds. The outside trustees administering the pension trust funds have been appointed by the Township board of commissioners.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "due to/due from other funds." Any residual balances

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Based upon assessed valuations established by the Montgomery County Board of Assessments as of January 1, current year real estate taxes are billed and collected by the Township Treasurer. The real estate taxes are levied on approximately February 1, and are payable under the following terms: 2% discount first 60 days, face amount next 60 days, and a 10% penalty after 120 days. The elected Township Treasurer serves as tax collector in accordance with state law governing first-class townships. A lien is attached on property in January of the following year for unpaid real estate taxes.

3. Prepaid Items

Using the consumption method, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and fund financial statements.

In 1992, the Township entered into a 35-year agreement with the City of Philadelphia (the City) to purchase wastewater treatment services from the City. The Township made an initial capital contribution in the amount of \$6,463,000 to the City to reserve wastewater treatment capacity. The Township is required to pay the City additional capital contributions equal to its pro rata share of City incurred capital costs for improvement, renewal, and replacement of facilities. Contributions are amortized over the remaining life of the agreement. In addition, the Township pays the City quarterly for wastewater treatment charges and a 10% management fee.

Total costs capitalized under this contract were \$12,939,226 at December 31, 2013. Accumulated amortization is \$6,922,754 at December 31, 2013. Amortization expense for the year ended December 31, 2013 was \$462,806.

4. 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. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed or at estimated historical cost if the original cost is not determinable. Major outlays for improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

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

Machinery and equipment	3 to 7 years
Land improvements	10 to 20 years
Infrastructure	20 to 40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is the deferred charge on refunding 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 of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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 so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has one type of this item, under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

Township employees are entitled to certain vacation, sick leave, and other compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures/expenses when they are paid.

7. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types 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 straight-line method.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation are classified as *restricted* fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Township Board of Commissioners through a resolution are classified as *committed* fund balances. Amounts that are constrained by the Township's intent to be used for specific purposes but are neither restricted nor committed are classified as *assigned* fund balances. Assignments are made by the Township Board of Commissioners or the Township Manager. *Non-spendable* fund balances include amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. *Unassigned* fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

9. Insurance

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Insurance settlements have not exceeded insurance coverage during the past three years.

The Township establishes a claims liability for its self-insured workers' compensation activities. Liabilities for self-insured claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

10. Special Assessment Receivable

Special assessments are levied upon completion of the related projects and are payable either (a) when billed, or (b) over a multiyear period from the date of the initial billing, at the option of the benefited property owner. Special assessments receivable recorded in the sanitary sewer fund under the deferred payment plan amounted to \$456,206, net of allowance for uncollectible amounts of \$17,682 at December 31, 2013.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(2) Deposits and Investments

(a) Deposits

At December 31, 2013, the carrying value of the Township's deposits with banks was \$26,233,624 in the various funds. The bank balances were \$26,133,537. Of the bank balances, 100% was covered by federal depository related insurance or collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 (P.L. 281 as amended) (Act 72). Under Act 72, a depository holding public funds in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge assets to secure 100% of the Township's deposits. The pledged assets must be at least equal to the total amounts of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. All such pledged assets are held by the pledging financial institution's trust department or agent and not in the Township's name. The Township Finance Department is responsible for monitoring compliance with the collateralization and reporting requirements of Act 72.

(b) Investments

The Commonwealth of Pennsylvania First Class Township Code (P.L. 1206, No. 331) authorizes the Township to invest in obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania (the Commonwealth) or any other political subdivision of the Commonwealth, bank deposits, registered investment money market mutual funds, repurchase agreements, and local government investment pools. The Township's own investment policy emulates the Commonwealth's requirements.

The Township invests in an externally managed investment pool, the PLGIT, which is not registered with the Securities and Exchange Commission. In accordance with the Commonwealth, Section 3 of Act 180 (the Intergovernmental Cooperation Act), Pennsylvania municipalities may jointly cooperate to perform their respective governmental functions, powers, or responsibilities. The purpose of PLGIT is to provide Pennsylvania municipalities with an instrumentality or agency to pool and invest their cash reserves to a greater advantage under the daily management of professional investment advisors. At December 31, 2013, the fair value of the Township's position in PLGIT is \$12,185,727, with \$6,726,453 invested in a PLGIT money market account and the remainder in PLGIT ARM.

1. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. As a course of limiting its exposure to fair value losses arising from increasing interest rates, the Township takes a conservative approach to managing the duration of the investment maturities. In general, the Township's investment policy provides for investment in short-term investments, which shall not exceed two years. The basic strategy is to hold investments to maturity, thus safety of principal is the primary objective. In addition, the investment policy provides for long-term investments, maturities that are greater than two years in duration. The Township's investment policy does not limit investments in the pension fund; however, pension fund investments are allocated generally to 60% equities

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

and 40% fixed-income/cash for both the Township Employees' Pension Plan and the Municipal Police Pension Plan.

The Township Code or investment policy does not limit total pension portfolio maturities. The following schedule represents a listing of fixed-income securities held by both the Township operating funds and pension funds and the related maturity schedule:

Township of Lower Merion Investments

<u>Investment type</u>	<u>Investment maturities (in years)</u>	
	<u>Fair value</u>	<u>Less than 1 year</u>
Money Market Accounts (PLGIT and Banks)	\$ 14,546,066	\$ 14,546,066
Certificates of Deposit	15,495,000	15,495,000
PLGIT ARM	<u>5,624,438</u>	<u>5,624,438</u>
Total invested assets	\$ <u>35,665,504</u>	\$ <u>35,665,504</u>

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Township of Lower Merion Pension Trust Fund Investments

Investment type	Fair value	Investment maturities		
		1 year	1 – 5 years	6 – 10 years
Wells Fargo Advantage Treasury Money Fund	\$ 2,293,215	\$ 2,293,215	\$ —	\$ —
Bond mutual funds:				
T. Rowe Price Institutional Float Rate	10,468,600	—	10,468,600	—
Vanguard Intermediate Investment Grade Fund	31,253,567	—	31,253,567	—
Aetna Bond Portfolio	3,293,460	—	—	3,293,460
Subtotal – bond fund investments	<u>45,015,627</u>	<u>—</u>	<u>41,722,167</u>	<u>3,293,460</u>
Subtotal – fixed- income investments	<u>47,308,842</u>	<u>2,293,215</u>	<u>41,722,167</u>	<u>3,293,460</u>
Common stock	14,503,670			
Preferred stock	813,333			
Equity mutual funds	<u>117,808,741</u>			
Subtotal – equity investments	<u>133,125,744</u>			
Total fair value of investments	<u>\$ 180,434,586</u>			

2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township’s general investment policy for credit risk is to ensure the safety of investment principal and to maintain public confidence in investment decisions by applying prudence and judgment. To minimize credit risk, the Township’s investment policy established a benchmark, which provides that return on investment will annually exceed the average annual rate of return on the three-month U.S. Treasury Bills. Failure to meet this objective due to safety of capital or tight maturity needs is acceptable. The Township Code authorizes the Township to invest in various investment instruments. In addition, the Township Code provides that the Township Chief Financial Officer is responsible for managing the investment of Township funds in accordance with the requirements of the Township’s investment policy and Commonwealth of Pennsylvania law. As provided in the Township’s investment policy, the Township’s allowable investments are: (1) U.S. Treasury bills, notes, and bonds; (2) U.S. government agency and instrumentality securities and mortgage-backed securities; (3) repurchase agreements with a counterparty having an underlying rating in one of the two

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

highest categories by a nationally recognized rating agency; (4) certificate of deposits and time deposits issued by U.S. banks and FDIC insured or secured by collateral pledged by the depository pursuant to Act 72; (5) obligations of the Commonwealth of Pennsylvania or its agencies and any political subdivision of the Commonwealth of Pennsylvania; (6) local government investment pools formed and operated under the Commonwealth of Pennsylvania Intergovernmental Cooperation Act; and (7) money market funds regulated by the Securities and Exchange Commission.

Chapter 32 of the Township Code authorizes the Board of Trustees of the Township's Municipal Police Pension Plan and the Pension Advisory Board for the Township Employees' Pension Plan to administer and invest its funds with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims.

Township of Lower Merion Investment Credit Risk

<u>Investment type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Credit exposure as a percentage of total portfolio</u>
Bank money market deposits	AA+	Aaa	40.8%
Certificates of deposit	AA+	Aaa	43.4
Pooled investments	AAAm	N/A	15.8

Township of Lower Merion Pension Trust Fund Investment Credit Risk

<u>Investment type</u>	<u>Credit quality (rating)</u>	<u>Credit exposure as a percentage of total portfolio</u>
Bond funds:		
T. Rowe Price Institutional Floating Rate	B	5.9%
Vanguard Intermediate Term Investment Grade Fund	A	17.7
Aetna Bond Portfolio	A	1.6

3. Custodial Credit Risk

Custodial risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investment policy does not specifically address custodial credit risk for cash management deposits and investments. However, the investment policy does require that all cash management deposits be insured by the FDIC or

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

fully collateralized according to Act 72. Deposits and investments are permitted in the PLGIT, which collateralizes funds on a pooled basis for participating municipalities. The pension trust fund investments are uninsured and unregistered, and the securities are held by the counterparty or by its trust department or agent but not in the Township's name.

4. Concentration of Credit Risk

The Township's investment policy does not place specific limitations on investments. However, the Township's investment policy does seek to diversify its portfolio for investment type, institution, and maturity. Diversification and liquidity strategies are determined by the Chief Financial Officer and revised periodically. In general, the long-term objective of the pension trust funds is achieving a total return equivalent to or greater than the plan's long-term obligation over the time horizon. The Pension Board of Trustees has selected a general asset allocation designed to achieve a return equal to or greater than the long-term objective. Other than described in the table above, the Township has no other issuers with investments in excess of 5% of the total portfolio.

(3) Receivables

Receivables as of year-end for the Township's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total Receivables</u>
Receivables:							
Taxes	\$ 636,527	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 636,527
Accounts	1,888,263	169,593	1,622,777	525,108	500,000	25,945	4,705,741
Loans	—	—	—	—	662,489	—	662,489
Special assessment	—	—	456,206	—	—	—	456,206
Grants	1,853	23,764	—	223,280	86,700	—	335,597
Total receivables	2,526,643	193,357	2,078,983	748,388	1,249,189	25,945	6,796,560
Allowance for doubtful accounts	(95,891)	—	(43,248)	(7,444)	—	—	(146,583)
Total receivables, net	<u>\$ 2,430,752</u>	<u>\$ 193,357</u>	<u>\$ 2,035,735</u>	<u>\$ 740,944</u>	<u>\$ 1,249,189</u>	<u>\$ 25,945</u>	<u>\$ 6,649,977</u>
Amounts not scheduled for collection during the subsequent year	\$ 262,832	\$ —	\$ 1,622,292	\$ 216,222	\$ 501,196	\$ —	\$ 2,602,542

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

In the nonmajor governmental funds the Community Development loan receivables represent deferred loans provided to qualifying property owners to assist with housing rehabilitation in low to moderate income areas within the Township. These are no interest loans to be repaid in full upon the sale of the property or death of the program recipient.

Receivables of the sanitary sewer and solid waste funds are reported net of allowance for uncollectible amounts. Total uncollectible amounts related to receivables as of December 31, 2013 are as follows:

Uncollectible related to engineering fees (general fund)	\$	95,891
Uncollectible related to sanitary sewer charges		25,566
Uncollectible related to sanitary sewer special assessments		17,682
Uncollectible related to solid waste charges		7,444
		146,583
Total uncollectibles of the current year	\$	146,583

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At year-end, the various components of unavailable and unearned revenues reported in the governmental funds were as follows:

		<u>Unavailable</u>		<u>Unearned</u>		<u>Total</u>
Real estate taxes receivables (general fund)	\$	635,679	\$	—	\$	635,679
Nontax receivables (general fund)		—		961,870		961,870
Nontax receivables (capital fund)		—		139,875		139,875
Nontax receivables (nonmajor governmental funds)		500,000		662,489		1,162,489
		500,000		662,489		1,162,489
Total deferred/unearned revenue for governmental funds	\$	1,135,679	\$	1,764,234	\$	2,899,913

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(4) Capital Assets

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

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 90,571,789	\$ 188,801	\$ —	\$ 90,760,590
Construction in progress	16,407,961	5,682,067	(7,776,067)	14,313,961
Total capital assets, not being depreciated	106,979,750	5,870,868	(7,776,067)	105,074,551
Capital assets being depreciated:				
Land improvements	9,935,420	75,718	—	10,011,138
Buildings	34,123,019	7,190,295	(2,012,000)	39,301,314
Building improvements	8,001,206	32,693	—	8,033,899
Machinery and equipment	31,844,672	2,337,027	(490,047)	33,691,652
Infrastructure	112,767,612	2,965,927	—	115,733,539
Total capital assets being depreciated	196,671,929	12,601,660	(2,502,047)	206,771,542
	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Land improvements	(6,346,064)	(231,593)	—	(6,577,657)
Buildings	(9,372,713)	(715,648)	1,669,960	(8,418,401)
Building improvements	(1,717,787)	(402,281)	—	(2,120,068)
Machinery and equipment	(19,144,433)	(2,191,675)	489,498	(20,846,610)
Infrastructure	(57,140,939)	(6,088,200)	—	(63,229,139)
Total accumulated depreciation	(93,721,936)	(9,629,397)	2,159,458	(101,191,875)
Total capital assets, being depreciated, net	102,949,993	2,972,263	(342,589)	105,579,667
Governmental activities capital assets, net	\$ 209,929,743	\$ 8,843,131	\$ (8,118,656)	\$ 210,654,218

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities – Sewer Fund:				
Capital assets, not being depreciated:				
Construction in progress	486,082	769,588	(305,136)	950,534
Total capital assets, not being depreciated	<u>486,082</u>	<u>769,588</u>	<u>(305,136)</u>	<u>950,534</u>
Capital assets being depreciated:				
Buildings	4,485,596	—	—	4,485,596
Infrastructure	\$ 32,885,984	\$ 895,166	\$ —	\$ 33,781,150
Total capital assets being depreciated	<u>37,371,580</u>	<u>895,166</u>	<u>—</u>	<u>38,266,746</u>
Less accumulated depreciation for:				
Buildings	(3,286,832)	(114,478)	—	(3,401,310)
Infrastructure	<u>(14,572,469)</u>	<u>(805,686)</u>	<u>—</u>	<u>(15,378,155)</u>
Total accumulated depreciation	<u>(17,859,301)</u>	<u>(920,164)</u>	<u>—</u>	<u>(18,779,465)</u>
Total capital assets, being depreciated, net	<u>19,512,279</u>	<u>(24,998)</u>	<u>—</u>	<u>19,487,281</u>
Business-type activities capital assets, net	<u>\$ 19,998,361</u>	<u>\$ 744,590</u>	<u>\$ (305,136)</u>	<u>\$ 20,437,815</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government, including depreciation of general infrastructure assets	\$ 5,809,688	
Public safety	1,038,091	
Building, planning, and health	58,972	
Public works	1,163,351	
Libraries and recreation	1,557,679	
Community development	1,616	
Total depreciation expense – governmental activities	<u>\$ 9,629,397</u>	
Business-type activities:		
Sewer	\$ 920,164	

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Construction Commitments

The Township has active construction projects as of December 31, 2013. The projects include the reconstruction of existing bridges, upgrades to traffic signals, and improvements made to existing land and buildings. At year-end, the Township's commitments with contractors are as follows:

Project	Spent to date	Remaining commitment
Building and building components	\$ 1,248,018	\$ 929,559
Bridge reconstruction	1,950,514	137,681
Traffic signal upgrades	98,965	—
Land and land improvements	1,538,334	419,435
Machinery and equipment	152,976	149,648
Other infrastructure	9,325,160	834,087
Total	<u>\$ 14,313,967</u>	<u>\$ 2,470,410</u>

Encumbrances

Purchase orders are issued throughout the fiscal year to encumber budgets in the governmental funds. Encumbrances will be liquidated either from existing assigned or restricted fund balance or from future revenues. Significant encumbrances as of December 31, 2013 are as follows:

Major funds:	
General fund	\$ 118,480
Capital projects fund	<u>2,470,410</u>
Total Major funds	2,588,890
Non-Major governmental funds	<u>246,978</u>
Total Encumbrances	<u>\$ 2,835,868</u>

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(5) Interfund Receivables, Payables, and Transfers

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

Receivable fund	Payable fund	Amount
General	Sanitary Sewer	\$ 68,361
General	Nonmajor Governmental	96,393
		\$ 164,754

Receivables reported as “due from other funds” and the related payables reported as “due to other funds” represent amounts owed between funds within the Township’s reporting entity. The amount due from the Sanitary Sewer Fund to the General Fund was created for reimbursement relating to debt service costs. The amount due from the Nonmajor Governmental Fund to the General Fund was created by expenditures relating to reimbursement-type federal and state grant revenues.

A summary of transfers reported for the year ended December 31, 2013 is as follows:

Transfer in	Transfer out	Amount
Solid Waste	General	\$ 96,281
General	Nonmajor Governmental	1,181,042
		\$ 1,277,323

Transfers in and transfers out from/to other funds in the statement of revenues, expenditures, and changes in fund balance; the statement of revenues, expenses, and changes in fund net position; and Proprietary Funds represent transfers between funds. The funds transferred from the General Fund to the Solid Waste Fund represent a subsidy to the Solid Waste Fund in which fees do not cover the entire cost of the services provided by the fund. Transfers from the Nonmajor Governmental Funds to the General Fund are used to move revenues from the Highway Aid Fund in which the Commonwealth of Pennsylvania requires funds to be collected and move them to the General Fund in which the expenditures were incurred.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(6) Long-Term Debt

(a) *Series A of 2013 General Obligation Bonds*

On May 15, 2013, the Township issued \$9,935,000 of General Obligation Bonds, Series A of 2013. Proceeds of the Series A Bonds will be used to fund various capital projects in the Township's Capital Improvement Program.

(b) *Build America Bonds (BABs)*

In 2010, the Township issued the Series C of 2010 Bonds as BABs for purposes of the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the Township receives a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the Township are deposited into the Sinking Fund. The total cash subsidy interest payment in 2013 was \$263,562 and was included in nonoperating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

(c) *General Obligation Bonds Outstanding*

The Township has pledged its full faith and credit for the payment of principal and interest on general obligation bonds. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The bonds were used to fund various capital projects of the Township for both governmental and business-type activities.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

The general obligation bonds currently outstanding at December 31, 2013 are as follows:

<u>Description</u>	<u>Average interest rate</u>	<u>Maturity dates through</u>	<u>Balance outstanding</u>
Series A of 2005	3.91	2022	\$ 5,645,000
Series B of 2005	3.60	2014	715,000
Series of 2009	3.43	2020	10,030,000
Series of 2009	4.11	2029	1,645,000
Series A of 2010	3.85	2026	18,195,000
Series B of 2010	3.07	2020	7,675,000
Series C of 2010	5.15	2031	14,540,000
Series A of 2011	3.05	2023	12,535,000
Series B of 2011	3.18	2028	10,510,000
Series A of 2012	3.59	2027	11,335,000
Series A of 2013	1.71	2033	9,935,000
Total general obligation bonds			102,760,000
Less allocation to business-type activities			<u>15,687,596</u>
Total governmental activities general obligation bonds			\$ <u><u>87,072,404</u></u>

Annual debt service requirements to maturity for general obligation bonds at December 31, 2013 are as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending December 31:				
2014	\$ 6,168,949	3,427,434	1,286,051	622,385
2015	6,144,240	3,111,725	1,160,760	566,433
2016	6,087,890	2,714,999	1,137,110	505,682
2017	5,922,835	2,498,185	1,107,165	465,156
2018	5,777,620	2,260,035	1,082,380	421,601
2019-2023	28,889,395	7,812,026	5,295,605	1,447,952
2024-2028	21,439,975	3,299,061	3,435,025	609,649
2029-2033	6,641,500	450,537	1,183,500	81,108
Total	\$ <u><u>87,072,404</u></u>	<u><u>25,574,002</u></u>	<u><u>15,687,596</u></u>	<u><u>4,719,966</u></u>

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(d) Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 84,023,568	\$ 8,941,500	\$ (5,892,664)	\$ 87,072,404	\$ 6,168,949
Less deferred amounts:					
Unamortized bond discount	(239,995)	—	19,314	(220,681)	(19,314)
Unamortized bond premium	<u>3,105,751</u>	<u>2,828</u>	<u>(249,194)</u>	<u>2,859,385</u>	<u>249,194</u>
Total bonds payable	86,889,324	8,944,328	(6,122,544)	89,711,108	6,398,829
Claim costs payable	<u>1,239,830</u>	<u>371,191</u>	<u>(611,710)</u>	<u>999,311</u>	<u>584,130</u>
Governmental activity long-term liabilities	<u>\$ 88,129,154</u>	<u>\$ 9,315,519</u>	<u>\$ (6,734,254)</u>	<u>\$ 90,710,419</u>	<u>\$ 6,982,959</u>
Business-type activities:					
General obligation bonds	\$ 15,866,432	\$ 993,500	\$ (1,172,336)	\$ 15,687,596	\$ 1,286,051
Unamortized bond discount	(52,497)	—	7,167	(45,330)	(3,656)
Unamortized bond premium	<u>571,253</u>	<u>314</u>	<u>(42,058)</u>	<u>529,509</u>	<u>42,058</u>
	<u>\$ 16,385,188</u>	<u>\$ 993,814</u>	<u>\$ (1,207,227)</u>	<u>\$ 16,171,775</u>	<u>\$ 1,324,453</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$150,000 of liability claims payable and \$849,311 of workers compensation claims payable are included in the above amounts. Also, for the governmental activities, claims payable are generally liquidated by the General Fund.

(e) Legal Debt Margin

The Township's legal debt limit (excluding lease rental debt), as defined in Section 102 of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (Act 52), to be used for capital projects without electorate approval as specifically itemized in a capital budget, was \$207,708,347 at December 31, 2013, with \$102,760,000 of nonelectoral debt outstanding at December 31, 2013.

(7) Pension Plans

(a) Description of Pension Plans

The Township maintains two pension plans that cover members of the Township's police force and other employees. Also, the Township offers its employees a deferred compensation plan. The plans do not issue stand-alone reports.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

In accordance with Pennsylvania Act No. 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act (Act 205), the Township has biennial actuarial valuations performed; the most recent valuation date was as of January 1, 2013. The pension plan benefits and refunds are recognized when due and payable in accordance with the pension plan terms.

Pension plan information as of and for the year ended December 31, 2013 is as follows:

Statement of Fiduciary Net Position

Assets	Pension Trust Funds		Total
	Municipal Police Pension Plan	Township Employees' Pension Plan	
Cash and cash equivalents	\$ 1,387,672	\$ 905,543	\$ 2,293,215
Investments:			
Bond mutual funds	24,487,340	20,528,286	45,015,626
Equity mutual funds	65,046,679	52,762,062	117,808,741
Common stocks	8,007,959	6,495,711	14,503,670
Preferred stocks	447,810	365,523	813,333
Accrued interest receivable	85,241	66,455	151,696
Total assets	\$ 99,462,701	\$ 81,123,580	\$ 180,586,281
Liabilities			
A/P and accrued expenses	\$ 47,850	\$ 53,267	\$ 101,117
Total liabilities	47,850	53,267	101,117
Net Position			
Net position:			
Held in trust for pension benefits	\$ 99,414,851	\$ 81,070,314	\$ 180,485,165

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Statement of Fiduciary Changes in Net Position

	Pension Trust Funds		Total
	Municipal Police Pension Plan	Township Employees' Pension Plan	
Additions:			
Contributions:			
Employee contributions	\$ 43,615	\$ 56,696	\$ 100,311
Other contributions	189,725	356,923	546,648
Commonwealth of Pennsylvania allocation	1,013,565	706,848	1,720,413
Total contributions	<u>1,246,905</u>	<u>1,120,467</u>	<u>2,367,372</u>
Investment income:			
Interest and dividends	1,782,515	1,536,949	3,319,464
Net appreciation of investments	13,783,570	11,005,332	24,788,902
Total investment earnings	15,566,085	12,542,281	28,108,366
Less investment expenses	(74,360)	(97,048)	(171,408)
Net investment income	<u>15,491,725</u>	<u>12,445,233</u>	<u>27,936,958</u>
Total additions	<u>16,738,630</u>	<u>13,565,700</u>	<u>30,304,330</u>
Deductions:			
Benefits paid	3,180,844	2,563,552	5,744,396
Administrative expenses	65,047	69,223	134,270
Other	—	77,245	77,245
Total deductions	<u>3,245,891</u>	<u>2,710,020</u>	<u>5,955,911</u>
Change in net position	13,492,739	10,855,680	24,348,419
Net position – beginning of the year	<u>85,922,112</u>	<u>70,214,634</u>	<u>156,136,746</u>
Net position – end of the year	<u>\$ 99,414,851</u>	<u>\$ 81,070,314</u>	<u>\$ 180,485,165</u>

(b) *Municipal Police Pension Plan*

The Municipal Police Pension Plan is a single-employer defined benefit plan that provides retirement benefits as well as death and disability benefits. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average salary. Final average salary is the employee's average salary over the last three years of credited service. Employee pension contributions can be adjusted each year by Resolution subject to the plans

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

meeting certain financial conditions. Employee pension contributions were decreased to 1.7% in 2013 from 2% in 2012. If an employee leaves covered employment before 12 years of credited service, then accumulated employee contributions plus interest are refunded to the employee or designated beneficiary. The Township is required by statute, principally Act 205, to contribute any remaining amounts necessary to finance the pension plan. Benefit and contribution provisions are established by Township ordinance, collective bargaining provisions, and Pennsylvania law and may be amended only as allowed by Pennsylvania law.

(c) ***Township Employees Pension Plan***

The Township Employees Pension Plan is a single-employer defined benefit plan that provides retirement and death benefits. There are four groups covered, which have differing vesting schedules, normal retirement ages, employee contribution requirements, and annual benefit formulas. Police officers (permitted to join until December 31, 1992) who have completed 20 years of service are immediately vested, normal retirement age is 60, the contribution rate is 5%, and the annual benefit is 40% of total employee contributions. The other three groups have the same five-year vesting and an annual benefit formula. Employee pension contributions can be adjusted each year by Resolution subject to the plans meeting certain financial conditions. Effective January 1, 2007, the Township implemented a new policy that requires all full-time new employees, eligible for the pension plan, to participate on the first day of employment and contribute at a rate of 5%. In 2013, Workers Association employee pension contributions decreased by -1%, from the 2012 rate. In 2013, the employee pension contributions were 4% for employees hired between January 1, 2003 and December 17, 2013. Employees hired prior to January 1, 2003 contribute 3% (up to 5 years credited service), 1% (5 to 10 years) and 0% (10 or more years). In addition, employees hired after December 18, 2013 contribute at a rate of 5%. All other eligible non-uniform employees pension contributions were unchanged, from the 2012 rate, for those employees hired prior to January 1, 2003. In 2012, the employee pension contributions were 4% (up to 5 years credited service), 2% (5 to 10 years), 1% (10 to 25 years) and 0% thereafter. Employees hired after January 1, 2003 contribute at a rate of 5%.

The 40-hour-per-week and management employee groups have an age 60 normal retirement age; the 37.5-hour-per-week employee group has an age 63 normal retirement age. These three groups have two benefit formulas for their annual benefit calculation for all employees hired before 1995, with one benefit calculation available for those hired thereafter. For nonpolice employees in these groups, the pension is calculated using two formulas: (a) 1.4% of final average salary multiplied by total years of credited service to a maximum of 35 years; and (b) 2% of final average salary multiplied by total years of credited service to a maximum of 25 years of service. The employee receives a pension based upon the highest of the two calculation methods. However, all employees hired on or after January 1, 1995 are only eligible for the first pension calculation method noted above. Final average salary is the employee's average salary during their final 36 months of employment with the Township.

If an employee leaves covered employment or dies before vesting, then accumulated employee contributions plus interest are refunded to the employee or beneficiary. The Township is required by statute, principally Act 205, to contribute any remaining amounts necessary to finance the plan.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

Benefit and contribution provisions are established by Township ordinance and collective bargaining provisions.

(d) Annual Pension Cost and Net Pension Obligation (Asset)

The Board of Commissioners establishes and amends the contribution requirements of both the plan members and the Township. The Township's annual pension cost and net pension obligation (asset) for the current year and related information for each plan is as follows:

	Township Employees' Retirement Plan	Municipal Police Retirement Plan	Total
Annual required contribution	\$ 774,622	\$ 940,394	\$ 1,715,016
Interest on net pension asset	(93,785)	(100,678)	(194,463)
Adjustment to annual required contribution	117,232	125,848	243,080
Annual pension cost	798,069	965,564	1,763,633
Contributions made	774,622	1,001,065	1,775,687
Increase (decrease) in net pension asset	23,447	(35,501)	(12,054)
Net pension asset beginning of year	(1,172,317)	(1,258,479)	(2,430,796)
Net pension asset end of year	\$ (1,148,870)	\$ (1,293,980)	\$ (2,442,850)

	Township Employees' Retirement Plan	Municipal Police Retirement Plan
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Smoothed value	Smoothed value
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases	5.0	6.0
Includes inflation at	4.0	4.0
Cost-of-living adjustment	2.75	4.0

The actuarial value of assets for the Township Employee Retirement Plan and Municipal Police Retirement Plan was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Negative Unfunded Actuarial Accrued Liability (UAAL) is being amortized as an annual funding adjustment equal to 10% of the negative

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

unfunded UAAL for both plans. The remaining amortization period at December 31, 2013 was 18 years for both the Township Employees Retirement Plan and Municipal Police Retirement Plan. The amortization method is level dollar, on an open basis.

Three-year trend information is as follows:

	<u>Year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation (asset)</u>
Township Employees Retirement Plan	2013	\$ 798,069	97	\$ (1,148,870)
	2012	756,889	97	(1,172,317)
	2011	828,375	105	(1,192,664)
Municipal Police Retirement Plan	2013	\$ 965,564	104	\$ (1,293,980)
	2012	934,212	101	(1,507,623)
	2011	898,787	118	(1,245,723)

(e) ***Funding Policy***

The Township has made contributions in excess of annual required contributions in the current and prior years. As a result, there is a net pension asset of \$2,442,850 reported in the government-wide statement of net position and no net pension obligation was created at transition. Pursuant to Act 205, the Township participates in the Commonwealth of Pennsylvania's General Municipal Pension System State Aid Program, wherein it receives an allocation of certain state insurance premium taxes. In 2013, the Township received an allocation of \$1,707,913 from the General Municipal Pension System State Aid Program. The revenue and expenditures for this program are shown in the nonmajor governmental funds. Normal cost is funded on a current basis. Contributions are made by the Township, beyond the contribution of state funds to the pension plans, in accordance with actuarially determined requirements and the Township's minimum municipal obligation, as defined by Act 205. Six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress is provided as Required Supplementary Information (unaudited) following the notes to the financial statements.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

The funded status of the plans as of the most recent valuation date is as follows:

	Township Employees' Retirement Plan	Municipal Police Retirement Plan
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial value of plan assets	\$ 70,226,369	\$ 85,926,162
Actuarial accrued liability (AAL)	66,164,255	79,631,509
Assets in excess of AAL	4,062,114	6,294,653
Funded ratio	106.1%	107.9%
Covered payroll	\$ 15,549,869	\$ 12,479,948
Assets in excess as a % of covered payroll	26.1%	50.4%

(8) Deferred Compensation Plan

In accordance with the Internal Revenue Code (IRC) Section 457, the Township offers a deferred compensation plan (457 plan), which employees may elect to participate. The Township makes a 7% contribution into individual deferred compensation accounts for each of its management employees hired prior to November 20, 2013, which is administered by ICMA-RC. During the year ended December 31, 2013, the cost to the Township for the 457 plan was \$290,534 and \$291,367 in 2012. Additionally, employees contributed approximately \$1,044,561 in 2013 and \$1,359,520 in 2012.

In addition, the Township offers an IRC Section 401 Governmental Profit Sharing Plan, which management employees, hired after November 20, 2013 may elect to participate. The Township makes a 4% contribution into individual profit sharing accounts for each of its management employees in this plan.

(9) Other Postemployment Benefits

(a) Plan Description

The Lower Merion Township Post-Employment Benefits Plan (the Plan) is a single-employer defined benefit plan. The Plan provides life insurance and retirement medical coverage to eligible retirees and their spouses for the Township's Fraternal Order of Police, Non-Union, Management and Workers Association employees. The policy and management of OPEB benefits provided to retirees are the responsibility of the Township. The Plan benefits and refunds are recognized when due and payable in accordance with the Plan terms.

As of January 1, 2013, the date of the most recent valuation, participants of the plan consist of approximately 400 active members and approximately 174 retirees and their dependants who are receiving life insurance and medical benefits.

The substantive plan provisions are derived from contractual arrangements including union agreements, which can be modified through agreement of the Township and the contracting parties. Benefits generally include full or partial (depending on employee type and elections) medical and prescription coverage for the retiree and spouse (if applicable) until the retiree attains age 65 or becomes eligible for Medicare, and \$11,000 of life insurance upon retirement with smaller

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

grandfathered life insurance amounts for retirees who retired prior to the \$11,000 benefit amount becoming effective for non-uniformed employees. Uniformed employees receive \$10,000 of life insurance upon retirement with smaller grandfathered life insurance amounts for retirees who retired prior to the \$10,000 benefit amount becoming effective.

The Plan does not issue a stand-alone financial report.

(b) Funding Policy

The required contractual medical and prescription coverage contribution rates vary by employee type, and represent the difference between the Township's reimbursement amount and the group rate charged by the insurer. There is no required contribution from Management retirees. Police retirees pay the costs of dental and vision coverage only. For all other retirees, required contributions represent the difference between the Township's contribution and the benefit cost.

Retiree contribution rates can be affected by employee retirement date, with eligible retirements for most workers paying a higher rate for more recent retirements.

The Township funds the Plan for current retirees on a pay-as-you-go basis. There is currently no plan for the funding of future benefits. Projected pay-as-you-go financing requirements are established annually as part of the annual budget process.

Healthcare premium costs paid by retirees totaled \$78,733 for fiscal year 2013. The Township's life insurance premium costs were approximately \$6,080 for fiscal year 2013.

Actuarial Valuation and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point, as described above. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Township's OPEB liability is based on an actuarial valuation as of January 1, 2013, in which the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, which is the risk free rate of return, and a medical inflation rate of 7.0% in 2013, decreasing 0.5% per year to a rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089. The UAAL is being amortized as a level dollar amount on a 30 year open period.

(c) Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made

The Township's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

exceed thirty years. Amounts required but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligations. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and the Township's net OPEB obligation:

Annual required contribution	\$	3,428,719
Interest on Net OPEB Obligation		401,984
Adjustment to annual required contribution		<u>(548,409)</u>
Annual OPEB Cost		3,282,294
Contributions made		<u>(1,489,725)</u>
Change in Net OPEB Obligation liability		1,792,569
Net OPEB liability beginning of year		<u>8,932,983</u>
Net OPEB liability end of year	\$	<u><u>10,725,552</u></u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009 (the year the Township implemented GASB 45) through 2013 are as follows:

	<u>Annual OPEB cost</u>	<u>OPEB cost contributed</u>		<u>Net OPEB obligation (asset)</u>
Fiscal year ended December 31:				
2009	\$ 3,014,302	36.1%	\$	3,170,309
2010	2,982,755	42.4		4,888,631
2011	3,366,017	36.9		7,011,705
2012	3,331,217	42.3		8,932,983
2013	3,282,294	45.4		10,725,552

At January 1, 2013, the actuarial accrued liability for benefits was \$31,699,055 and there were no assets to be valued as of the valuation date, resulting in an unfunded actuarial accrued liability (UAAL) of \$31,699,055. The covered payroll (annual payroll of active employees covered by the plan) was \$29,134,884 and the ratio of the UAAL to the covered payroll was 108.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (unaudited) following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

actuarial accrued liabilities for benefits. This schedule will be expanded in future years to provide multiyear trend data.

(10) Self-Insurance Program

Workers' Compensation and General Liability

Under the Township's insurance program for workers' compensation, the Township maintains a deductible of \$500,000 for each occurrence. In addition, under the Township's insurance program for general liability the Township maintains a deductible of \$25,000 for each occurrence. The Township purchases commercial insurance for claims in excess of the deductible. Settled claims have not exceeded this commercial coverage.

Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditures reported in the General Fund. As of December 31, 2013, such interfund premiums did not exceed reimbursable expenditures.

A claims liability of \$584,130 is reported in the General Fund, and \$999,311 is reported in the government-wide statement of net position at December 31, 2013.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2013</u>		<u>2012</u>		<u>2013</u>		<u>2012</u>
	General liability		General liability		Workers' compensation		Workers' compensation
Balance, beginning of year	\$ 134,948	\$	\$ 134,948	\$	\$ 1,104,902	\$	\$ 693,161
Incurred claims (including IBNR)	33,174		203,956		203,049		884,606
Claim payments	<u>(18,122)</u>		<u>(203,956)</u>		<u>(458,640)</u>		<u>(472,865)</u>
Balance, end of year	<u>\$ 150,000</u>	\$	<u>\$ 134,948</u>	\$	<u>\$ 849,311</u>	\$	<u>\$ 1,104,902</u>

(11) Pollution Remediation Obligation

State and federal laws and regulations require the Township to perform certain maintenance and monitoring functions at the former Township landfill located on the Robert J. Koegel Public Works Complex. Prior to 1977, this site was utilized by the Township as a trash incinerator and landfill; however, after closure in 1977 the site was converted to the current municipal solid waste transfer station. In August 2002, the Pennsylvania Department of Environmental Protection notified the Township of a water quality imbalance in the Glanraffan Creek as a result of groundwater seeping from the former landfill site. The Township designed and permitted a two-phase passive treatment system for the remediation of iron laden water coming from the groundwater seep. This treatment system commenced operation on February 11, 2008 and is currently performing the required maintenance and monitoring functions. The estimated cost to comply with remediation regulations is \$292,200 measured by estimating a reasonable

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

range of potential outlays and multiplying those outlays by the probability of occurring. However, the actual costs may be higher due to inflation, changes in technology, or changes in laws and regulations.

(12) Contingencies

(a) *Litigation*

The Township is involved in numerous lawsuits arising in the normal course of business. It is the Township's opinion that the aggregate amount of potential claims resulting from actions against the Township would not materially affect the financial position of the Township at December 31, 2013.

(b) *Grants and Cost-Reimbursable Contracts*

Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by the Township under some of these grants and contracts are subject to audit. To date, the Township has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, the expenditures that have been made for grants and contracts were made in accordance with the provisions of such grants and contracts. Any adjustments for unallowable costs, if any, that would result from audits will not have a material effect on the Township's financial statements.

(13) Subsequent Event

On April 17, 2014, the Township issued \$9,405,000 of General Obligation Bonds, Series A of 2014. Proceeds of the Bonds will be applied towards (1) the current refunding of certain of the Township's outstanding General Obligation bonds, as described below and (2) paying the costs of issuing the Bonds.

A portion of the proceeds of the Bonds will be applied to currently refund that portion of the Township's General Obligation Bonds, Series of 2009 stated to mature on July 15 of the years 2015 – 2020 and 2024 – 2029 in the outstanding principal amount of \$9,560,000 (the "Refunded Bonds") for redemption on July 15, 2014.

A portion of the proceeds of the Bonds will be deposited with U.S. Bank National Association, as escrow agent (the "Escrow Agent") for the Refunded Bonds, invested by the Escrow Agent in direct obligations of the United States of America, and applied by the Escrow Agent to pay interest on the Refunded Bonds to the applicable redemption date and to pay the redemption price on the applicable redemption date.

The Refunded Bonds were issued to finance various capital projects of the Township and to currently refund prior issues of the Township.

On May 6, 2014, the Township issued \$9,455,000 of General Obligation Bonds, Series B of 2014. Proceeds of the Series B Bonds will be used to funding various capital projects in the Township's Capital Improvement Program for in 2014.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2013

(14) Prior Period Adjustment

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires that certain items that were previously reported as assets and liabilities be reclassified as deferred outflows of resources or deferred inflows of resources. It also requires recognition as outflows of resources of inflows of resources, certain items that were previously reported as assets and liabilities. Further, it required that debt issuance costs be expensed for the year incurred and the write-off of previously deferred bond issuance costs.

The Township adopted the provisions of Statement No. 65 for the fiscal year beginning January 1, 2013. Accordingly, the Township no longer reports debt issuance costs as deferred asset, but rather as an expense in the year incurred. The cumulative effect of applying this statement is as follows:

Statement of Activities:

	Governmental Activities	Business-Type Activities
Beginning balance of net position, as previously reported:	\$ 147,692,355	\$ 14,467,247
Cumulative effect of expensing debt issuance cost:	(500,919)	(73,390)
Net position, January 1, as restated	\$ 147,191,436	\$ 14,393,857

Statement of Revenues, Expenditures, and Changes in Net Position (Proprietary Funds):

	Sanitary Sewer Fund
Beginning balance of net position, as previously reported:	\$ 13,899,344
Cumulative effect of expensing debt issuance cost:	(73,390)
Net position, January 1, as restated	\$ 13,825,954



Required Supplementary Information

TOWNSHIP OF LOWER MERION, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis)
General Fund
Year ended December 31, 2013

	General Fund			
	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Real estate taxes	\$ 33,395,000	\$ 33,395,000	\$ 34,578,013	\$ 1,183,013
Licenses and permits	4,687,500	4,687,500	5,247,353	559,853
Mercantile, business, and local services taxes:	9,986,000	9,986,000	12,097,694	2,111,694
Fines, forfeits, and costs	1,100,000	1,100,000	1,142,692	42,692
Interest	153,000	153,000	46,407	(106,593)
Grants and gifts	110,000	110,000	536,518	426,518
Departmental earnings	2,316,000	2,316,000	2,354,755	38,755
Other	2,161,000	2,161,000	2,170,012	9,012
Total revenues	53,908,500	53,908,500	58,173,444	4,264,944
Expenditures:				
Current:				
General government	6,838,738	6,838,738	6,532,223	306,515
Public safety	23,815,095	23,815,095	22,951,764	863,331
Building, and planning	3,404,346	3,404,346	3,339,930	64,416
Public works	7,598,102	7,598,102	7,325,436	272,666
Libraries and recreation	7,368,524	7,368,524	6,960,867	407,657
Debt service:				
Principal	5,961,025	5,961,025	5,892,664	68,361
Interest	3,144,558	3,144,558	3,130,263	14,295
Total expenditures	58,130,388	58,130,388	56,133,147	1,997,241
(Deficiency) excess of revenues (under) over expenditures	(4,221,888)	(4,221,888)	2,040,297	6,262,185
Other financing sources:				
Transfers in	1,149,500	1,149,500	1,181,042	31,542
Transfers out	(89,000)	(89,000)	(96,281)	(7,281)
Revenues and other financing sources (under) over expenditures and other financing uses	(3,161,388)	(3,161,388)	3,125,058	6,286,446
Fund balance – beginning	15,710,038	15,710,038	16,929,168	1,219,130
Fund balance – ending	\$ 12,548,650	\$ 12,548,650	\$ 20,054,226	\$ 7,505,576
Reconciliation of budgetary basis to GAAP basis:				
To adjust for the effect of encumbrances recognized as expenditures under the budgetary basis			118,480	
Fund balance – ending (GAAP basis)			\$ 20,172,706	

See accompanying notes to required supplementary information.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Notes to Required Supplementary Information

December 31, 2013

Stewardship, Compliance, and Accountability

Budgetary Information

The statement of revenues, expenditures, and changes in fund balance – budget and actual – General Fund, which is required supplementary information, is reported on the budgetary basis of accounting, which differs in some respects from generally accepted accounting principles (GAAP). A reconciliation from budgetary basis to GAAP basis is included in the statement. The beginning fund balance is adjusted for changes in open encumbrances at year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

During November and December, the Township holds public hearings for the purpose of receiving oral and written comments from interested parties in regard to the possible use of funds expected to be received by the Township for the fiscal year commencing the following January 1.

During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.

Prior to December 31, the Township holds its final public hearing to obtain taxpayer comments, after which the budget is legally adopted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund, and Proprietary Funds. The Township has legally adopted budgets for the General Fund and Special Revenue Funds. The Township budgets the Capital Projects Funds over the life of the project rather than an annual budget. Consequently, a budget-to-actual comparison for the Capital Projects Funds for the year ended December 31, 2013 is not presented because such a statement would not be meaningful. In addition, the Township budgets for indirect costs as revenue and expenditures, but they are not reported as such under GAAP.

The legal level of budgetary control is maintained at the fund level with budgets adopted for all operating funds. The appropriated budget is adopted by fund, function, department, and object of expenditure. The Township Manager may make transfers of appropriations that do not affect overall fund appropriations. Changes to total appropriations to funds must be made by the Township Board of Commissioners. All appropriations lapse at year-end to the extent they are not encumbered.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities. In the combined statement of revenues, expenditures, and changes in fund balances – budget and actual (budget basis), encumbrances are recorded as expenditures.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Required Supplementary Information

Schedule of Funding Progress and Contributions from the
Employer and Other Contributions Entities

Township Employees Pension Fund

Year ended December 31, 2013

Schedule of funding progress

Valuation date	Actuarial value of assets (a)	Entry age actuarial accrued liability (AAL) (b)	Assets in excess of AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Assets in excess as a percentage of covered payroll ((a-b)/c)
1/1/09	\$ 60,252,894	\$ 55,919,437	\$ 4,333,457	107.7%	\$ 14,303,966	30.3%
1/1/10	62,212,736	—	—	—	—	—
1/1/11	64,843,988	61,786,045	3,057,943	104.9	15,363,629	19.9
1/1/12	66,031,904	—	—	—	—	—
1/1/13	70,226,369	66,164,255	4,062,114	106.1	15,549,869	26.1

Schedule of contributions from the employer and other contributing entities

Calendar year	Annual required contribution	Contribution (1)	Percentage contributed
2009	\$ 791,121	\$ 791,121	100.0%
2010	791,513	818,415	103.4
2011	805,357	870,134	108.0
2012	733,046	736,552	100.5
2013	774,622	706,848	91.3

(1) Includes both employer contributions and Commonwealth of Pennsylvania appropriation.

The information presented above was determined as part of the actuarial valuation at the date indicated.

Actuarial cost method Entry age normal

Asset valuation method Smoothed value

Actuarial assumptions:

Investment rate of return	8%
Projected salary increases	5%
Cost-of-living adjustment	2.75%

The Negative Unfunded Actuarial Accrued Liability (UAAL) is being amortized as an annual funding adjustment equal to 10% of the negative unfunded UAAL.

See accompanying independent auditors' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Required Supplementary Information

Schedule of Funding Progress

Postemployment Benefits

Year ended December 31, 2013

Schedule of funding progress

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) % of covered payroll ((a-b)/c)
1/1/09	\$ —	\$ 27,322,923	\$ 27,322,923	—%	\$ 25,133,935	108.71%
1/1/11	—	31,205,040	31,205,040	—	28,968,566	107.72
1/1/13	—	31,699,055	31,699,055	—	29,134,884	108.80

Schedule of contributions from the Township

Calendar year	Annual OPEB cost	Contribution	Percentage contributed
2008	\$ 2,284,547	\$ 1,038,865	45.5%
2009	3,014,302	1,089,655	36.1
2010	2,982,755	1,264,433	42.4
2011	3,366,017	1,242,943	36.9
2012	3,331,217	1,409,939	42.3
2013	3,282,294	1,639,511	45.4

The information presented above was determined as part of the actuarial valuation at the date indicated.

Actuarial cost method
Remaining amortization period

Entry Age Normal
30 year Level Dollar Open

Actuarial assumptions:

Investment rate of return

4.5%

Projected salary increases*

5.0%

Ultimate rate of medical inflation

7% in 2013, decreasing by 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and beyond.

See accompanying independent auditors' report.



**Combining and Individual Fund
Statements and Schedules**

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Nonmajor Governmental Funds

Description of Funds

December 31, 2013

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The following are utilized to account for those financial activities:

Highway Aid Special Revenue Fund – this fund accounts for state aid revenues used for building, improving, and maintaining roads and bridges.

Community Development Special Revenue Fund – this fund is used to account for revenue received from various federal and state sources. These funds, which are restricted for the provision of specified community improvement programs, are targeted at benefiting low- and moderate-income persons.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2013

Assets	Highway Aid	Community Development	Total
Cash and cash equivalents	\$ —	\$ 29,835	\$ 29,835
Accounts receivable	—	500,000	500,000
Loan receivable	—	662,489	662,489
Grants receivable	—	86,700	86,700
	<hr/>	<hr/>	<hr/>
Total assets	\$ —	\$ 1,279,024	\$ 1,279,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities			
Accounts payable	—	86,471	86,471
Due to other funds	—	96,393	96,393
Unearned	—	662,489	662,489
Escrow deposits	—	16,667	16,667
	<hr/>	<hr/>	<hr/>
Total liabilities	—	862,020	862,020
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deferred Inflows of Resources			
Unavailable revenue	—	500,000	500,000
	<hr/>	<hr/>	<hr/>
Total liabilities	—	2,041,176	2,041,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund balances:			
Restricted:			
Community development	—	11,513	11,513
Unassigned	—	(94,509)	(94,509)
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	—	(82,996)	(82,996)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ —	\$ 779,024	\$ 779,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended December 31, 2013

	<u>Highway Aid</u>	<u>Community Development</u>	<u>Total</u>
Revenues:			
Interest	\$ 201	\$ 146	\$ 347
Grants and gifts	<u>1,180,841</u>	<u>3,733,167</u>	<u>4,914,008</u>
Total revenues	<u>1,181,042</u>	<u>3,733,313</u>	<u>4,914,355</u>
Expenditures:			
Current:			
Public safety	—	2,615,246	2,615,246
Community development	<u>—</u>	<u>1,084,620</u>	<u>1,084,620</u>
Total expenditures	<u>—</u>	<u>3,699,866</u>	<u>3,699,866</u>
Excess of revenues over expenditures	1,181,042	33,447	1,214,489
Other financing sources (uses):			
Transfers out	<u>(1,181,042)</u>	<u>—</u>	<u>(1,181,042)</u>
Revenues and other financing sources and uses under expenditures	—	33,447	33,447
Fund balances:			
Beginning of period	<u>—</u>	<u>(116,443)</u>	<u>(116,443)</u>
End of period	<u>\$ —</u>	<u>\$ (82,996)</u>	<u>\$ (82,996)</u>

Unaudited – see accompanying accountants’ report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis)

Nonmajor Special Revenue Funds

Year ended December 31, 2013

	Highway Aid Fund			
	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Interest	\$ 197	\$ 197	\$ 201	\$ 4
Grants and gifts	1,149,303	1,149,303	1,180,841	31,538
Total revenues	1,149,500	1,149,500	1,181,042	31,542
Other financing uses:				
Transfers out	(1,149,500)	(1,149,500)	(1,181,042)	(31,542)
Revenues over other financing uses	—	—	—	—
Fund balances – beginning	—	—	—	—
Fund balance – ending	\$ —	\$ —	\$ —	\$ —

	Community Development Fund			
	Budgeted amounts		Actual amounts	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Grants and gifts	\$ 4,077,662	\$ 4,077,662	\$ 3,733,167	\$ (344,495)
Interest	—	—	146	146
Total revenues	4,077,662	4,077,662	3,733,313	(344,349)
Expenditures:				
Current:				
Public safety	2,467,220	2,467,220	2,615,246	148,026
Community development	1,610,442	1,610,442	1,084,620	(525,822)
Total expenditures	4,077,662	4,077,662	3,699,866	(377,796)
Other financing sources:				
Transfers in	—	—	—	—
Deficiency of revenues and other financing sources under expenditures	—	—	33,447	33,447
Fund balances – beginning	—	—	(116,443)	(116,443)
Fund balance – ending	\$ —	\$ —	\$ (82,996)	\$ (82,996)

See accompanying notes to required supplementary information.
Unaudited – see accompanying accountants' report

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Internal Service Funds

Description of Funds

December 31, 2013

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis.

Equipment Fund – this fund owns and leases equipment to various Township departments.

Self-Insurance Fund – this fund accounts for the activity of the account the Township has established to fund the general liabilities incurred as a result of operations.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Combining Statement of Net Position

Internal Service Funds

December 31, 2013

Assets	Equipment Fund	Self-Insurance Fund	Total
Current assets:			
Cash and cash equivalents	\$ 5,220,080	\$ 41,124	\$ 5,261,204
Investments	4,000,000	—	4,000,000
Accrued interest receivable	218	—	218
Accounts receivable	25,727	—	25,727
Total current assets	9,246,025	41,124	9,287,149
Noncurrent assets:			
Capital assets:			
Depreciable infrastructure, buildings, machinery, and equipment, net of accumulated depreciation	5,400,521	—	5,400,521
Total noncurrent assets	5,400,521	—	5,400,521
Total assets	\$ 14,646,546	\$ 41,124	\$ 14,687,670
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	131,961	41,124	173,085
Total current liabilities	131,961	41,124	173,085
Noncurrent liabilities:			
Claims payable	—	—	—
Total liabilities	131,961	41,124	173,085
Net Position			
Net position:			
Invested in capital assets net of related debt	5,400,521	—	5,400,521
Unrestricted	9,114,064	—	9,114,064
Total net position	\$ 14,514,585	\$ —	\$ 14,514,585

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year ended December 31, 2013

	<u>Equipment Fund</u>	<u>Self-Insurance Fund</u>	<u>Total</u>
Operating revenues:			
Rentals	\$ 3,577,958	\$ —	\$ 3,577,958
Other	3,825	—	3,825
Total operating revenues	<u>3,581,783</u>	<u>—</u>	<u>3,581,783</u>
Operating expenses:			
Salaries and wages	563,780	—	563,780
Employee benefits	205,097	—	205,097
Utilities, supplies, and other	1,649,724	—	1,649,724
Depreciation	1,473,762	—	1,473,762
Claims costs	—	18,122	18,122
Total operating expenses	<u>3,892,363</u>	<u>18,122</u>	<u>3,910,485</u>
Operating (loss) income	<u>(310,580)</u>	<u>(18,122)</u>	<u>(328,702)</u>
Nonoperating revenues:			
Interest income	23,989	83	24,072
Intergovernmental	266,524	—	266,524
Gain on disposal of capital assets	78,425	—	78,425
Total nonoperating revenues	<u>368,938</u>	<u>83</u>	<u>369,021</u>
Income (loss) before contributions and operating transfers	<u>58,358</u>	<u>(18,039)</u>	<u>40,319</u>
Change in net assets	58,358	(18,039)	40,319
Total net position – beginning of year	<u>14,456,227</u>	<u>18,039</u>	<u>14,474,266</u>
Total net position – end of year	<u>\$ 14,514,585</u>	<u>\$ —</u>	<u>\$ 14,514,585</u>

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended December 31, 2013

	<u>Equipment Fund</u>	<u>Self-Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 3,582,570	\$ —	\$ 3,582,570
Payments to suppliers	(1,942,885)	—	(1,942,885)
Payments to employees	(766,112)	—	(766,112)
Payment of claim costs	—	(142,822)	(142,822)
Net cash provided by (used in) operating activities	<u>873,573</u>	<u>(142,822)</u>	<u>730,751</u>
Cash flows from noncapital financing activities:			
Grants and gifts	<u>266,524</u>	—	<u>266,524</u>
Net cash provided by operating activities	<u>266,524</u>	—	<u>266,524</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(1,664,124)	—	(1,664,124)
Sale of equipment	<u>78,975</u>	—	<u>78,975</u>
Net cash used in capital and related financing activities	<u>(1,585,149)</u>	—	<u>(1,585,149)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	22,900,000	80,000	22,980,000
Purchase of investments	(24,400,000)	(80,000)	(24,480,000)
Interest and dividends received	<u>34,627</u>	<u>83</u>	<u>34,710</u>
Net cash provided by investing activities	<u>(1,465,373)</u>	<u>83</u>	<u>(1,465,290)</u>
Net decrease in cash and cash equivalents	(1,910,425)	(142,739)	(2,053,164)
Cash and cash equivalents, January 1	<u>7,130,505</u>	<u>183,863</u>	<u>7,314,368</u>
Cash and cash equivalents, December 31	<u>\$ 5,220,080</u>	<u>\$ 41,124</u>	<u>\$ 5,261,204</u>
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:			
Operating (loss) income	\$ (310,580)	\$ (18,122)	\$ (328,702)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,473,762	—	1,473,762
Increase in accounts receivable	786	—	786
Increase in accounts payable and accrued expenses	<u>(290,395)</u>	<u>(124,700)</u>	<u>(415,095)</u>
Total adjustments	<u>1,184,153</u>	<u>(124,700)</u>	<u>1,059,453</u>
Net cash provided by (used in) operating activities	<u>\$ 873,573</u>	<u>\$ (142,822)</u>	<u>\$ 730,751</u>

Unaudited – see accompanying accountants' report.



Statistical Section

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statistical Section

Description of Schedules

December 31, 2013

This section of the Township's comprehensive annual financial report presents comparative information in order to better understand the financial statements, note disclosures, and required supplementary information and to more fully comprehend the Township's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Township's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Township's most significant local revenue source, the real estate tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Township's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Township implemented GASB Statement No. 34 for fiscal year 2003 schedules.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Net Position by Component

2004 through 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 122,718,705	\$ 119,862,887	\$ 121,915,746	\$ 125,361,607	\$ 124,129,860	\$ 121,734,777	\$ 125,017,274	\$ 123,811,711	\$ 126,083,639	\$ 123,749,680
Restricted	—	—	—	—	—	—	—	—	1,286	511,513
Unrestricted	<u>18,480,377</u>	<u>21,540,585</u>	<u>22,391,935</u>	<u>21,519,316</u>	<u>22,407,762</u>	<u>21,043,990</u>	<u>16,306,771</u>	<u>22,960,516</u>	<u>21,106,511</u>	<u>23,684,102</u>
Total governmental activities net position	<u>\$ 141,199,082</u>	<u>\$ 141,403,472</u>	<u>\$ 144,307,681</u>	<u>\$ 146,880,923</u>	<u>\$ 146,537,622</u>	<u>\$ 142,778,767</u>	<u>\$ 141,324,045</u>	<u>\$ 146,772,227</u>	<u>\$ 147,191,436</u>	<u>\$ 147,945,295</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 1,596,124	\$ 283,745,000	\$ 2,304,241	\$ 3,079,730	\$ 4,075,399	\$ 4,679,311	\$ 2,128,794	\$ 2,921,684	\$ 4,131,930	\$ 4,266,042
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	<u>12,183,260</u>	<u>12,954,126</u>	<u>11,743,231</u>	<u>10,490,253</u>	<u>9,713,889</u>	<u>8,293,234</u>	<u>11,532,630</u>	<u>10,956,405</u>	<u>10,261,927</u>	<u>11,184,443</u>
Total business-type activities net position	<u>\$ 13,779,384</u>	<u>\$ 296,699,126</u>	<u>\$ 14,047,472</u>	<u>\$ 13,569,983</u>	<u>\$ 13,789,288</u>	<u>\$ 12,972,545</u>	<u>\$ 13,661,424</u>	<u>\$ 13,878,089</u>	<u>\$ 14,393,857</u>	<u>\$ 15,450,485</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 124,314,829	\$ 121,092,101	\$ 124,219,987	\$ 128,441,337	\$ 128,205,259	\$ 126,414,088	\$ 127,146,068	\$ 126,733,395	\$ 130,215,569	\$ 128,015,722
Restricted	—	—	—	—	—	—	—	—	1,286	511,513
Unrestricted	<u>30,663,637</u>	<u>34,494,711</u>	<u>34,135,166</u>	<u>32,019,569</u>	<u>32,121,651</u>	<u>29,337,224</u>	<u>27,839,401</u>	<u>33,916,921</u>	<u>31,368,438</u>	<u>34,868,545</u>
Total primary government net position	<u>\$ 154,978,466</u>	<u>\$ 155,586,812</u>	<u>\$ 158,355,153</u>	<u>\$ 160,460,906</u>	<u>\$ 160,326,910</u>	<u>\$ 155,751,312</u>	<u>\$ 154,985,469</u>	<u>\$ 160,650,316</u>	<u>\$ 161,585,293</u>	<u>\$ 163,395,780</u>

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Changes in Net Position:
2004 through 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities										
General government	\$ 8,479,204	\$ 8,674,692	\$ 9,958,474	\$ 10,021,010	\$ 9,898,629	\$ 10,407,641	\$ 9,378,715	\$ 9,441,013	\$ 10,880,779	\$ 11,412,480
Public Safety	16,906,770	18,000,387	21,858,343	23,742,957	23,702,331	24,424,122	25,003,893	27,314,015	26,538,891	26,667,796
Building and planning	2,654,572	3,353,142	3,916,828	4,294,523	3,212,660	3,783,560	3,362,423	3,672,373	3,598,945	3,534,124
Public works	6,657,256	7,854,619	7,079,313	7,712,153	7,961,716	7,401,842	8,368,070	8,808,174	8,208,295	8,313,270
Libraries and recreator	5,619,114	283,745,000	6,654,419	7,281,940	7,578,470	8,044,723	7,729,417	7,835,771	8,111,310	8,604,486
Community developmen	1,998,185	1,808,005	572,961	1,206,956	1,303,659	1,500,942	2,012,623	1,494,501	1,650,621	1,084,620
Interest on long-term deb	1,806,655	2,737,109	2,268,675	2,629,602	3,003,543	2,891,174	3,731,217	3,760,953	3,133,841	3,236,576
Total governmental activities expenses	44,121,756	326,172,954	52,309,013	56,889,141	56,661,008	58,454,004	59,586,358	62,326,800	62,122,682	62,853,352
Business-type activities:										
Sanitary sewer	5,759,955	5,853,095	6,040,501	6,213,798	6,667,735	7,173,072	7,317,511	7,797,769	7,367,452	7,435,924
Solid waste	6,589,455	6,651,833	6,756,827	6,499,134	6,346,946	6,655,251	6,626,415	6,627,435	6,595,810	6,619,972
Total business-type activities expenses	12,349,410	12,504,928	12,797,328	12,712,932	13,014,681	13,828,323	13,943,926	14,425,204	13,963,262	14,055,896
Total primary government expenses:	56,471,166	338,677,882	65,106,341	69,602,073	69,675,689	72,282,327	73,530,284	76,752,004	76,085,944	76,909,248
Program revenues:										
Governmental activities										
Charges for services	7,089,679	7,689,808	7,455,153	8,616,360	8,218,612	7,688,753	9,388,163	8,870,437	9,147,952	10,032,783
Operating grants and contribution:	4,012,952	2,909,550	6,357,405	4,732,063	5,102,456	5,419,270	5,909,700	5,894,367	5,308,150	5,306,624
Capital grants and contribution:	753,513	459,356	3,631,472	7,813,639	3,667,747	1,605,934	3,293,478	3,538,001	1,538,299	1,734,083
Total governmental activities program revenues	11,856,144	11,058,714	17,444,030	21,162,062	16,988,815	14,713,957	18,591,341	18,302,805	15,994,401	17,073,490
Business-type activities:										
Charges for services:										
Sanitary Sewer	5,911,147	6,217,612	5,921,396	5,570,600	6,048,529	6,387,146	7,992,187	7,473,938	8,030,277	8,269,659
Solid Waste	4,870,523	4,886,544	4,803,316	4,893,340	5,037,525	4,915,593	6,209,083	6,366,445	6,122,895	6,419,896
Operating grants and contribution:	563,351	409,054	308,925	185,280	318,283	377,525	296,118	643,090	290,790	322,407
Capital grants and contribution:	68,645	—	—	—	652,190	—	—	—	—	—
Total business-type activities program revenues	11,413,666	11,513,210	11,033,637	10,649,220	12,056,527	11,680,264	14,497,388	14,483,473	14,443,962	15,011,962
Total primary government program revenues:	23,269,810	22,571,924	28,477,667	31,811,282	29,045,342	26,394,221	33,088,729	32,786,278	30,438,363	32,085,452
Net revenues (expenses):										
Governmental activities:	(32,265,612)	(37,387,742)	(34,864,983)	(35,727,079)	(39,672,193)	(43,740,047)	(40,995,017)	(44,023,995)	(46,128,281)	(45,779,862)
Business-type activities:	(935,744)	(991,718)	(1,763,691)	(2,063,712)	(958,154)	(2,148,059)	553,462	58,269	480,700	956,066
Total net revenues (expenses)	(33,201,356)	(38,379,460)	(36,628,674)	(37,790,791)	(40,630,347)	(45,888,106)	(40,441,555)	(43,965,726)	(45,647,581)	(44,823,796)
General revenues and other changes in net position:										
Governmental activities										
Taxes	32,881,455	36,975,630	37,371,356	37,684,633	39,259,407	40,769,490	39,234,423	49,138,124	46,976,039	46,557,705
Investment income	611,815	1,595,342	1,747,836	1,975,688	1,119,485	514,955	396,336	423,053	169,364	72,297
Gain (loss) on disposal of capital asset:	116,950	221,160	—	—	—	—	—	—	—	—
Transfers	(1,100,000)	(1,200,000)	(1,350,000)	(1,350,000)	(1,060,000)	(1,303,253)	(90,464)	(89,000)	(96,994)	(96,281)
Total governmental activities	32,510,220	37,592,132	37,769,192	38,310,321	39,318,892	39,981,192	39,540,295	49,472,177	47,048,409	46,533,721
Business-type activities:										
Investment income	95,375	195,674	277,823	236,223	117,459	28,063	44,953	69,396	11,464	4,281
Gain (loss) on disposal of capital asset:	—	—	—	—	—	—	—	—	—	—
Transfers	1,100,000	1,200,000	1,350,000	1,350,000	1,060,000	1,303,253	90,464	89,000	96,994	96,281
Total business-type activities	1,195,375	1,395,674	1,627,823	1,586,223	1,177,459	1,331,316	135,417	158,396	108,458	100,562
Total primary government	33,705,595	38,987,806	39,397,015	39,896,544	40,496,351	41,312,508	39,675,712	49,630,573	47,156,867	46,634,283
Changes in net position:										
Governmental activities:	244,608	204,390	2,904,209	2,583,242	(353,301)	(3,758,855)	(1,454,722)	5,448,182	920,128	753,859
Business-type activities:	259,631	403,956	(135,868)	(477,489)	219,305	(816,743)	688,879	216,665	589,158	1,056,628
Total primary government	\$ 504,239	\$ 608,346	\$ 2,768,341	\$ 2,105,753	\$ (133,996)	\$ (4,575,598)	\$ (765,843)	\$ 5,664,847	\$ 1,509,286	\$ 1,810,487

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Fund Balances of Governmental Funds

2004 through 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>
General fund:										
Reserved	\$ 130,693	\$ 279,009	\$ 283,619	\$ 217,028	\$ 186,328	\$ 217,517	\$ 115,407	\$ —	\$ —	\$ —
Unreserved	7,984,652	10,403,794	10,681,037	11,191,213	11,825,287	11,170,287	10,901,650	—	—	—
Total general fund	<u>\$ 8,115,345</u>	<u>\$ 10,682,803</u>	<u>\$ 10,964,656</u>	<u>\$ 11,408,241</u>	<u>\$ 12,011,615</u>	<u>\$ 11,387,804</u>	<u>\$ 11,017,057</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
General fund:										
Nonspendable:										
Prepaid expense	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,980	\$ 10,886	\$ 17,289
Unrestricted:										
Assigned:										
Capital projects	—	—	—	—	—	—	—	—	—	—
Subsequent year's budget	—	—	—	—	—	—	—	1,474,507	3,161,388	1,815,747
General government	—	—	—	—	—	—	—	178,009	128,841	118,480
Unassigned	—	—	—	—	—	—	—	16,741,467	13,746,533	18,221,190
Total fund balances	<u>\$ —</u>	<u>\$ 18,416,963</u>	<u>\$ 17,047,648</u>	<u>\$ 20,172,706</u>						
All other governmental funds:										
Reserved, reported in:										
Special revenue funds	\$ 656,726	\$ 1,001,064	\$ 132,007	\$ 198,163	\$ 278,056	\$ 642,590	\$ 390,836	\$ —	\$ —	\$ —
Capital projects funds	3,302,255	3,712,848	17,344,107	6,467,270	5,457,425	11,494,573	8,023,353	—	—	—
Unreserved, reported in:										
Special revenue funds	(699,692)	(1,061,503)	(29,922)	(161,958)	(392,692)	(692,396)	(499,576)	—	—	—
Capital projects funds	7,273,909	7,285,612	(6,176,599)	(427,271)	461,240	(6,139,503)	8,634,966	—	—	—
Total all other governmental funds	<u>\$ 10,533,198</u>	<u>\$ 10,938,021</u>	<u>\$ 11,269,593</u>	<u>\$ 6,076,204</u>	<u>\$ 5,804,029</u>	<u>\$ 5,305,264</u>	<u>\$ 16,549,579</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
All other governmental funds:										
Nonspendable:										
Restricted:										
Capital projects	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,163,418	\$ —	\$ —
Community development	—	—	—	—	—	—	—	129,842	1,286	11,513
Committed:										
Capital projects	—	—	—	—	—	—	—	—	2,641,947	4,442,519
Unrestricted:										
Assigned:										
Capital projects	—	—	—	—	—	—	—	21,232	—	—
Unassigned	—	—	—	—	—	—	—	(182,364)	(117,729)	(94,509)
Total all other governmental funds	<u>\$ —</u>	<u>\$ 9,132,128</u>	<u>\$ 2,525,504</u>	<u>\$ 4,359,523</u>						

Unaudited – see accompanying accountants' report.

* In February 2009, The GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The Township implemented GASB No. 54 as of fiscal year end December 31, 2011

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)

Primary Governmental Funds

2004 through 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:										
Real estate taxes	\$ 28,360,551	\$ 29,846,177	\$ 30,279,486	\$ 30,447,223	\$ 30,455,586	\$ 29,476,409	\$ 30,605,881	\$ 33,021,548	\$ 33,913,255	\$ 34,578,013
Licenses and permits	3,568,443	3,618,651	3,509,669	4,601,803	4,065,722	3,718,697	5,116,299	4,403,394	4,611,691	5,247,353
Business and occupational taxes	4,511,574	6,996,740	7,090,135	7,145,867	8,869,063	11,344,144	8,626,654	16,182,148	13,161,716	12,097,694
Fines, forfeits, and costs	1,207,278	1,189,308	1,211,383	1,247,749	1,143,256	1,068,952	1,069,849	1,033,529	1,100,330	1,142,692
Interest	465,104	1,131,698	1,414,173	1,498,463	798,301	333,828	274,435	355,917	127,820	48,225
Grants and gifts	3,909,549	3,544,824	9,675,877	12,476,688	8,565,760	7,053,422	9,203,767	9,704,429	6,862,772	6,918,085
Departmental earnings	1,964,459	2,098,444	2,153,744	2,193,902	2,266,762	2,170,982	2,141,996	2,285,292	2,340,937	2,354,755
Other	343,103	642,858	434,584	682,322	737,907	701,904	1,059,430	876,161	1,078,668	1,144,081
Total revenues	44,330,061	49,068,700	55,769,051	60,294,017	56,902,357	55,868,338	58,098,311	67,862,418	63,197,189	63,530,898
Expenditures:										
Current:										
General government	3,577,801	4,003,229	4,911,045	4,719,553	4,856,978	4,903,662	4,780,029	4,804,879	4,834,036	5,016,942
Public safety	16,663,057	17,737,460	20,612,869	21,562,171	22,400,007	22,875,683	23,673,655	24,826,172	24,530,993	25,567,010
Building, planning, and health	2,547,511	2,922,023	2,917,353	3,020,994	3,057,748	3,056,350	3,126,697	3,184,721	4,976,388	3,339,930
Public works	6,216,671	6,941,334	6,880,811	6,937,627	6,440,268	6,812,156	7,108,737	7,141,594	6,657,985	7,325,436
Libraries and recreation	5,204,832	5,577,377	6,020,473	6,123,995	6,459,908	6,675,927	6,544,426	6,410,686	6,555,615	6,960,867
Community development	1,994,793	1,808,005	2,236,732	1,200,860	1,302,065	1,499,725	2,011,465	1,491,714	—	1,084,620
Other	3,392	—	—	—	—	—	—	—	—	—
Debt service:										
Principal	2,910,273	3,341,632	3,884,282	4,338,752	4,451,580	4,558,572	4,778,463	5,308,075	5,930,994	5,892,664
Interest	1,869,249	2,388,859	2,337,697	2,557,833	2,802,926	2,820,725	2,856,463	3,264,255	3,051,188	3,130,263
Bond issuance costs	—	—	—	—	—	—	—	—	—	64,256
Capital outlays	8,066,638	9,096,477	12,954,864	22,196,475	12,604,678	8,910,911	12,452,890	12,904,945	13,549,024	9,037,880
Total expenditures	49,054,217	53,816,396	62,756,126	72,658,260	64,376,158	62,113,711	67,332,825	69,337,041	70,086,223	67,419,868
Excess (deficiency) of revenues over (under) expenditures	(4,724,156)	(4,747,696)	(6,987,075)	(12,364,243)	(7,473,801)	(6,245,373)	(9,234,514)	(1,474,623)	(6,889,034)	(3,888,970)
Other financing sources (uses):										
Transfers in	1,009,924	1,042,640	1,125,711	1,163,109	1,272,646	1,219,513	1,168,186	1,200,070	6,289,407	1,181,042
Transfers out	(2,181,144)	(2,242,640)	(2,475,711)	(2,513,109)	(2,332,646)	(2,522,766)	(1,258,650)	(1,289,070)	(7,486,401)	(1,277,323)
Issuance of debt	19,093,662	19,223,702	9,000,000	9,000,000	9,000,000	22,977,615	35,354,911	22,775,543	10,278,400	8,941,500
Bond (discount)/premium	(140,624)	(9,472)	(49,500)	(35,561)	(135,000)	617,577	1,158,411	856,040	1,109,583	2,828
Repayment of long-term obligations	(4,481,270)	(10,294,253)	—	—	—	(17,169,142)	(16,264,776)	(22,135,505)	(11,277,894)	—
Total other financing sources (uses)	13,300,548	7,719,977	7,600,500	7,614,439	7,805,000	5,122,797	20,158,082	1,407,078	(1,086,905)	8,848,047
Net changes in fund balances	8,576,392	2,972,281	613,425	(4,749,804)	331,199	(1,122,576)	10,923,568	(67,545)	(7,975,939)	4,959,077
Fund balances (deficit) – beginning of period	10,072,151	18,648,543	21,620,824	22,234,249	17,484,445	17,815,644	16,693,068	27,616,636	27,549,091	19,573,152
Fund balances (deficit) – end of period	\$ 18,648,543	\$ 21,620,824	\$ 22,234,249	\$ 17,484,445	\$ 17,815,644	\$ 16,693,068	\$ 27,616,636	\$ 27,549,091	\$ 19,573,152	\$ 24,532,229
Debt Service as a percentage of noncapital expenditures	11.7%	12.8%	12.5%	13.7%	14.0%	13.9%	13.9%	15.2%	15.9%	15.5%

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Assessed and Estimated Actual Value of Taxable Property

2004 through 2013

Year	Assessed value	Estimated actual value	Common level ratio (CLR) of total assessed value to total market value ¹	Total Direct Tax Rate
2004	7,261,476,175	12,022,311,548	60.4	3.34
2005	7,300,215,935	13,670,816,358	53.4	3.47
2006	7,371,483,853	14,539,415,884	50.7	3.47
2007	7,446,874,345	14,659,201,467	50.8	3.54
2008	7,501,357,064	13,891,401,970	54.0	3.61
2009	7,514,754,262	13,395,283,889	56.1	3.68
2010	7,480,048,376	12,896,635,131	58.0	3.78
2011	7,442,248,626	12,003,626,816	62.0	4.19
2012	7,404,023,301	11,678,270,191	63.4	4.19
2013	7,430,474,741	11,719,991,705	63.4	4.19

¹ Source: Common level ratio for Montgomery County as determined by the Commonwealth of Pennsylvania State Tax Equalization Board (STEB).

Unaudited – see accompanying accountants’ report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Property Tax Rates in Mills

All Direct and Overlapping Governments

2004 through 2013

<u>Year</u>	<u>Township of Lower Merion</u>	<u>Lower Merion School District</u>	<u>Montgomery County</u>	<u>Total¹</u>
2004	3.34	15.47	2.84	21.65
2005	3.47	16.31	2.89	22.67
2006	3.47	18.07	2.89	24.43
2007	3.54	18.87	2.84	25.25
2008	3.61	20.08	2.70	26.39
2009	3.68	21.40	2.70	27.78
2010	3.78	22.29	2.70	28.77
2011	4.19	23.03	2.70	29.92
2012	4.19	23.48	3.15	30.82
2013	4.19	24.38	3.15	31.72

¹ Source: Lower Merion Township Tax Collector – Treasurer

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2013		2004	
	Taxable assessed value	Percentage of total taxable assessed value	Taxable assessed value	Percentage of total taxable assessed value
Bala Plaza, Inc.	\$ 96,721,670	1.30%	\$ 102,488,200	1.41%
Amerishops Suburban	54,413,030	0.73%	—	—%
401 City Avenue Associates	52,419,350	0.71%	52,419,350	0.72%
Amerishops Suburban	—	—%	51,393,920	0.71%
Waverly Heights, Ltd.	45,479,840	0.61%	42,472,030	0.58%
Beaumont Retirement Community Inc.	32,856,280	0.44%	32,856,280	0.45%
Guttman, Steven J., et al	21,808,280	0.29%	20,749,910	0.29%
City Line Investors, LP	—	—%	19,575,000	0.27%
Bala Pointe Owner LP	18,542,560	0.25%	—	—%
Brandywine Operating Partners	—	—%	18,542,560	0.26%
City Line Investors, LP	18,120,300	0.24%	—	—%
Federal Realty Investment	16,500,000	0.22%	16,500,000	0.23%
Lankenau Hospital	15,901,060	0.21%	15,901,060	0.22%
	<u>\$ 372,762,370</u>	<u>5.00%</u>	<u>\$ 372,898,310</u>	<u>5.14%</u>

Source: Township of Lower Merion

Unaudited – see accompanying accountants’ report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Property Tax Levies and Collections

2004 through 2013

Year	Total tax levy	Collected within the year of levy		Delinquent tax collections	Interim tax collections	Total collections to date	
		Amount	Percentage of levy			Amount	Percentage of levy
2004	24,253,557	23,532,946	97.03	376,286	25,597	23,934,829	98.69
2005	25,331,749	24,533,143	96.85	431,453	142,441	25,107,037	99.11
2006	25,579,047	24,805,219	96.97	445,813	115,638	25,366,670	99.17
2007	26,361,935	25,510,784	96.77	547,920	161,867	26,220,571	99.46
2008	27,079,899	26,192,935	96.72	495,705	92,128	26,780,768	98.90
2009	27,654,404	26,716,585	96.61	544,764	65,941	27,327,290	98.82
2010	28,274,531	27,312,658	96.60	565,853	52,060	27,930,571	98.78
2011	31,183,272	30,105,206	96.54	534,036	19,082	30,658,324	98.32
2012	31,023,101	30,043,347	96.84	422,476	84,960	30,550,783	98.48
2013	31,133,935	30,179,550	96.93	—	91,465	30,271,015	97.23

Source: Township of Lower Merion Tax Collector

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Ratio of Outstanding Debt by Type

2004 through 2013

Year	Total governmental activities	Total business activities	Total primary government	Percentage of personal income	Debt per capita
2004	58,165,058	16,297,325	74,462,383	0.07	1,268 ¹
2005	63,724,499	16,307,335	80,031,834	0.07	1,362
2006	69,223,193	15,871,617	85,094,810	0.07	1,449
2007	73,793,630	15,405,831	89,199,461	0.06	1,519
2008	78,448,187	14,957,411	93,405,598	0.06	1,590
2009	80,290,743	14,331,392	94,622,135	0.06	1,611
2010	94,779,792	18,231,255	113,011,047	0.05	1,954
2011	89,736,271	17,513,270	107,249,541	0.05	1,854 ²
2012	83,846,103	16,437,685	100,283,788	0.06	1,734
2013	89,711,108	16,171,775	105,882,883	0.05	1,831

¹ In April 2003, the Census Bureau officially changed the Township's 2000 population from 59,850 to 58,740.

² In February 2011, the Census Bureau officially changed the Township's 2003 population from 58,740 to 57,825 for 2010. On April 5, 2012, the Census Bureau officially changed the Township's 2010 population from 57,825 to 57,837.

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita

2004 through 2013

Year	Population ¹	Assessed value ⁴	Net bonded debt	Ratio of net bonded debt to assessed value	Net bonded debt per capita
2004	58,740 ²	7,261,476,175	74,462,383	1.0	1,268
2005	58,740	7,300,215,935	80,031,834	1.1	1,362
2006	58,740	7,371,483,853	85,094,810	1.2	1,449
2007	58,740	7,446,874,345	89,199,461	1.2	1,519
2008	58,740	7,501,357,064	93,405,598	1.2	1,590
2009	58,740	7,514,754,265	94,622,135	1.3	1,611
2010	57,825 ³	7,480,048,376	113,011,047	1.5	1,954
2011	57,825	7,442,248,626	107,249,541	1.4	1,855
2012	57,837	7,404,023,301	100,283,788	1.4	1,734
2013	57,837	7,430,474,741	105,882,883	1.4	1,831

¹ Source – U.S. Census

² In April 2003, the Census Bureau officially changed the Township’s 2000 population from 59,850 to 58,740.

³ In February 2011, the Census Bureau officially changed the Township’s 2003 population from 58,740 to 57,825 for 2010. On April 5, 2012, the Census Bureau officially changed the Township’s 2010 population from 57,825 to 57,837.

⁴ Assessed value as of January 1st.

Unaudited – see accompanying accountants’ report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Computation of Direct and Overlapping Debt

December 31, 2013

Total Township assessed valuation	\$ 7,430,474,741
Total market value of assessable real estate	11,719,991,705

	<u>Estimated percentage applicable</u>	<u>Outstanding debt December 31, 2013</u>	<u>Estimated share of overlapping debt</u>
Overlapping debt repaid with property taxes:			
School District of Lower Merion	96.0%	\$ 283,745,000	\$ 272,395,200
Montgomery County	13.0%	<u>426,720,000</u>	<u>55,473,600</u>
Total overlapping debt repaid with property taxes		<u>\$ 710,465,000</u>	327,868,800
Township of Lower Merion direct debt			<u>89,711,109</u>
Total direct and overlapping debt			<u>\$ 417,579,909</u>

	<u>Township</u>	<u>Overlapping</u>	<u>Total net and overlapping</u>
Ratio of total net debt to:			
Total market value of assessable real estate	2.8%	2.8%	5.6%
Assessed valuation of real estate	4.4	4.4	8.8
Population: 57,837	\$ 1,551 ¹	5,669 ¹	7,220 ¹

Source: Individual jurisdiction.

¹ Per capita.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Township. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Lower Merion Township. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Nonelectoral debt limit: ¹										
Total net revenues	\$ 176,972,514	\$ 200,553,246	\$ 211,233,411	\$ 215,138,307	\$ 175,643,388	\$ 221,188,415	\$ 233,962,345	\$ 239,107,417	\$ 236,767,731	\$ 249,250,016
Three-year average (borrowing base)	58,990,838	66,851,082	70,411,137	71,712,769	58,547,796	73,729,472	77,987,448	79,702,472	78,922,577	83,083,339
Multiplier	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total nonelectoral debt limit	147,477,095	167,127,705	176,027,843	179,281,923	146,369,490	184,323,680	194,968,620	199,256,180	197,306,443	207,708,348
Total net indebtedness	75,499,450	81,354,450	86,010,000	90,230,000	94,330,000	94,855,000	112,865,000	107,350,000	99,890,000	102,760,000
Remaining nonelectoral debt margin	\$ 71,977,645	\$ 85,773,255	\$ 90,017,843	\$ 89,051,923	\$ 52,039,490	\$ 89,468,680	\$ 82,103,620	\$ 91,906,180	\$ 97,416,443	\$ 104,948,348

See note (3) for explanation of electoral debt.

¹ The Township's nonelectoral debt limit is defined by the Commonwealth of Pennsylvania as 250% of the borrowing base. The borrowing base is defined as the average of the preceding three years' total net revenue.

² The debt limit for electoral debt, approved by referendum, is 350% of the borrowing base. The Township has no electoral debt outstanding.

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Demographic and Economic Statistics

Last Two Census Periods

	<u>2000</u>	<u>2010</u>	<u>Percentage change</u>
Population	58,740	57,837 ¹	(1.5)%
Median age (years)	41	42.8	4.4
Median family income	\$ 84,378	151,870	80.0
Per-capita income	41,707	73,595	76.5
Owner-occupied median housing value	282,600	539,700	91.0
Total housing units	23,868	24,081	0.9
Total residents employed	29,725	29,507	(0.7)
Percentage of residents with four or more years of schooling	58.0%	73.1%	26.0%
Unemployment rate	6.0	5.6	(6.7)

Source: U.S. Census

Note: Ten consecutive years of data are not presented because census data is only available in ten year increments.

¹ In February 2011, the Census Bureau officially changed the Township's 2003 population from 58,740 to 57,825 for 2010.

On April 5, 2012 the Census Bureau revised the Township's 2010 population from 57,825 to 57,837.

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Principal Employers

Current Year and Nine Years Ago

Employer	2013		2004	
	Number of employees	Percentage of total employment	Number of employees	Percentage of total employment
Main Line Hospitals (Lankenau and Bryn Mawr Hospitals)	4,119	10.22%	4,326	9.62%
Lower Merion School District	1,742	4.32%	1,667	3.71%
Bryn Mawr College	1,128	2.80%	1,316	2.93%
Susquehanna International Group LLP	1,020	2.53%	763	1.70%
Progressive Nursing Staffers of PA, Inc.	—	—	680	1.51%
Maguire Insurance Agency	670	1.66%	—	—
Township of Lower Merion	—	—	668	1.49%
DVHCA Inc./Firststaff Nursing Services	607	1.51%	—	—
St Josephs University	587	1.46%	—	—
Maguire Insurance Agency	—	—	557	1.24%
Harcum College	553	1.37%	—	—
Township of Lower Merion	519	1.29%	—	—
ATX	—	—	503	1.12%
Aqua Pennsylvania Inc	—	—	430	0.96%
Aqua Pennsylvania Inc	425	1.05%	—	—
Harcum College	—	—	412	0.92%

Source: Township Finance Department

Unaudited – see accompanying accountants’ report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Full-Time and Part-Time Employees by Function

2004 through 2013

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	52	53	69	68	69	66	65	64	64	64
Public safety	176	176	168	168	168	165	165	165	165	165
Building, planning,	41	42	36	38	38	37	37	36	35	35
Public works	131	132	137	139	136	135	128	125	127	126
Libraries	159	160	166	166	164	164	164	164	164	174
Recreation	156	152	168	167	179	179	179	178	178	176
Total	715	715	744	746	754	746	738	732	733	740 ¹

Source: Township Finance Department

Unaudited – see accompanying accountants' report.

¹ The number of Township employees includes full time, regular part-time, and seasonal part-time employees and is therefore higher than the number of full-time-equivalent employees listed in the table on page 87.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Operating Indicators by Function

2004 through 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:										
Arrests	178	215	161	177	169	183	200	204	154	126
Parking citations issued	56,454	53,537	53,906	54,175	49,704	44,030	36,544	36,448	37,384	36,767
Fire:										
Number of emergency calls	1,716	1,937	1,919	1,960	1,838	1,947	1,948	2,125	2,377	2,332
Routine inspections	1,419	1,250	1,005	972	816	779	783	766	512	470
Public works highway:										
Street lanes (miles)	279	279	279	279	276	276	276	276	276	276
Streetlights	5,086	5,086	5,086	5,086	4,972	4,971	4,971	4,971	4,971	4,971
Traffic signals	110	110	111	111	111	111	111	111	111	111
Parks and recreation:										
Number of recreation classes	85	104	134	169	185	196	209	217	219	243
Number of facility permits	387	415	451	463	330	509	506	467	467	505
Public works sewer:										
Sanitary sewer (miles)	238	238	238	238	236	236	236	236	236	236
Storm sewer (miles)	100	100	100	100	100	100	100	100	100	100

The Township of Lower Merion implemented GASB 34 for the fiscal year ended December 31, 2003. Information prior to the implementation of GASB 34 is not available.

Source: Township of Lower Merion internal departmental reports.

Unaudited – see accompanying accountants' report.

TOWNSHIP OF LOWER MERION, PENNSYLVANIA

Capital Assets Statistics by Function

2004 through 2013

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:										
Stations:	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	7	7	7	7	7	7	7	7	7	7
Libraries:										
Buildings	6	6	6	7	7	7	7	7	7	7
Public works:										
Streetlights	5,086	5,086	5,086	5,086	4,972	4,971	4,971	4,971	4,971	4,971
Streets (miles)	279.2	279.2	279.2	279.2	275.5	275.5	275.5	275.5	275.5	275.5
Traffic lights	110	110	111	111	111	111	111	111	111	111
Parks and recreation:										
Community centers	3	3	3	3	3	3	3	3	3	3
Parks	38	38	38	38	38	43	44	47	47	47
Pools	2	2	2	2	2	2	2	2	2	2
Wastewater:										
Sanitary sewers:										
Pipe (miles)	238	238	238	238	236	236	236	236	236	236
Pump stations	15	15	15	15	16	17	17	17	17	17
Storm sewers:										
Pipe (miles)	100	100	100	100	100	100	100	100	100	100

Unaudited – see accompanying accountants' report.