

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 31, 2012

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Moody's: See "Rating" herein

In the opinion of Note Counsel, interest on the Notes is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the Notes is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Notes. Under the laws of the Commonwealth of Pennsylvania, the Notes are exempt from personal property taxes in Pennsylvania, and interest on the Notes is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

The Township has designated the Notes as "qualified tax-exempt obligations" within the meaning of Section 265 (b)(3) of the Code. For a more complete discussion, see "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations" herein.

\$5,300,000*

Township of Upper Moreland
Montgomery County, Pennsylvania
General Obligation Notes, Series of 2012

Dated: Date of Delivery

Principal Due: September 1, as shown on inside cover

Interest Due: March 1 and September 1

First Interest Payment: September 1, 2012

The General Obligation Notes, Series of 2012 (the "Notes") in the aggregate principal amount of \$5,300,000* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Notes will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Notes may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Notes will not receive physical delivery of the Notes. For so long as any purchaser is the beneficial owner of a Note, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Notes are ever issued in certificated form, the Notes will be subject to registration of transfer, exchange and payment as described herein.

The Notes are general obligations of the Township of Upper Moreland, Montgomery County, Pennsylvania (the "Township"), payable from its tax and other general revenues. The Township has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Notes for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance, hereinafter defined, or from any other of its revenues or funds, the principal of every Note and the interest thereon on the dates, at the place and in the manner stated in the Notes, and for such budgeting, appropriation and payment the Township irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the Township presently unlimited as to rate or amount for such purpose.

Interest on each of the Notes is payable initially on September 1, 2012 and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Note. The Township has appointed U. S. Bank National Association** (the "Paying Agent"), as paying agent, registrar and sinking fund depository for the Notes. So long as Cede & Co., as nominee for DTC, is the registered owner of the Notes, payments of the principal of, redemption premium, if any, and interest on the Notes, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Notes. If the use of the Book-Entry Only System for the Notes is ever discontinued, the principal of and redemption premium, if any, on each of the Notes will be payable, when due, upon surrender of such Note to the Paying Agent at its corporate trust office in Philadelphia, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Note will be payable by check and mailed to the person(s) in whose name(s) such Note is registered as of the Record Date with respect to the particular interest payment date (See "THE NOTES," infra).

The Notes are subject to redemption prior to maturity as described herein.

Proceeds of the Notes will be applied towards paying the costs for: (1) the current refunding of the Township's General Obligation Bonds, Series of 2004, (2) the advance refunding of the Township's General Obligation Bonds, Series of 2008; and (3) issuing and insuring the Notes.

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Notes by _____.

MATURITIES, AMOUNTS, RATES AND YIELDS
{As Shown on Inside Cover}

The Notes are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the legal opinion of Saul Ewing LLP, Note Counsel, of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Township by Timoney Knox, LLP, Township Solicitor, of Fort Washington, Pennsylvania. Public Financial Management, Inc., of Harrisburg, Pennsylvania, will serve as the Financial Advisor to the Township in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery in New York, New York, on or about March 13, 2012.

Public Financial Management, Inc.
Financial Advisor to the Township

Dated: _____

*Estimated, subject to change.

**Subject to approval.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Notes may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$5,300,000*
Township of Upper Moreland
Montgomery County, Pennsylvania
General Obligation Notes, Series of 2012

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown below
First Interest Payment: September 1, 2012

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

<u>September 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Prices/Yields</u>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			

(A portion of the Notes may be structured as Term Notes. See "Invitation to Bid".)

*Estimated; subject to change.

TOWNSHIP OF UPPER MORELAND

Montgomery County, Pennsylvania

TOWNSHIP BOARD OF COMMISSIONERS

R. Samuel Valenza.....	President
Joseph A. Lavallo.....	Vice-President
Lisa Romaniello.....	Member
Kevin C. Spearing.....	Member
Donna D. Parsell.....	Member
Clifton McFtridge.....	Member
James McKenna.....	Member

OTHER MUNICIPAL OFFICIALS

David A. Dodies.....Township Manager/Secretary
John E. Crawford, Jr. Assistant Township Manager/Director of Finance
Joseph Olszak Treasurer

TOWNSHIP SOLICITOR

TIMONEY KNOX, LLP
Fort Washington, Pennsylvania

NOTE COUNSEL

SAUL EWING LLP
Philadelphia, Pennsylvania

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

PAYING AGENT

U.S. BANK NATIONAL ASSOCIATION*
Philadelphia, Pennsylvania

TOWNSHIP ADDRESS

117 Park Avenue
Willow Grove, Pennsylvania 19090-3215

*Subject to approval.

No dealer, broker, salesman or other person has been authorized by the Township to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the Township and from other sources which are believed to be reliable but the Township does not guarantee the accuracy or completeness of information from sources other than the Township. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

\$5,300,000*

Township of Upper Moreland Montgomery County, Pennsylvania General Obligation Notes, Series of 2012

INTRODUCTION

This Preliminary Official Statement, including the cover page hereof and Appendices hereto, is furnished by the Township of Upper Moreland, Montgomery County, Pennsylvania (the "Township"), in connection with the offering of its \$5,300,000* aggregate principal amount General Obligation Notes, Series of 2012, dated as of the date of delivery (the "Notes"). The Notes are being issued pursuant to an Ordinance of the Township Commissioners adopted on February 6, 2012 (the "Ordinance"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, 53 Pa. C.S. Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Notes will be applied towards paying the costs for: (1) the current refunding of the Township's General Obligation Bonds, Series of 2004 (the "2004 Bonds"), (2) the advance refunding of the Township's General Obligation Bonds, Series of 2008 (the "2008 Bonds"); and (3) issuing and insuring the Bonds.

Upon issuance of the Notes, a portion of the proceeds of the Notes will be irrevocably deposited with U.S. Bank National Association, successor Paying Agent for the 2004 Bonds, in an amount sufficient to redeem the 2004 Bonds at redemption price of 100% plus accrued interest on the date of delivery.

Upon issuance of the Notes, a portion of the proceeds will be irrevocably deposited in an escrow fund (the "Escrow Fund") maintained by U.S. Bank National Association, successor Paying Agent for the 2008 Bonds, under terms of a Pledge and Escrow Agreement for the 2008 Bonds dated as of the date of delivery. The proceeds of the Notes so deposited will be used to purchase direct obligations of the United States of America which will mature and earn interest at such rates as will provide sufficient funds to pay the interest and maturing principal on the 2008 Bonds that are being refunded. The 2008 Bonds will be called for optional redemption, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2008 Bonds on March 1, 2013.

Sources and Uses of Note Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Notes.

Sources of Funds

Note Proceeds \$ _____

Total Sources of Funds \$ _____

Uses of Funds

Amount Required to Redeem the 2004 Bonds \$ _____

2008 Bonds Escrow Fund Deposit _____

Issuance Cost⁽²⁾ _____

Total Uses of Funds \$ _____

⁽¹⁾Includes legal, financial advisor, municipal insurance, printing, rating, total discount, CUSIP, paying agent, escrow agent and miscellaneous costs.

*Estimated; subject to change.

THE NOTES

Payment of Principal and Interest

Principal of the Notes will be paid to the registered owners thereof or assigns, when due, upon surrender of the Notes at the corporate trust office of the Paying Agent located in Philadelphia, Pennsylvania.

Interest is payable to the registered owner of a Note from the interest payment date next preceding the date of registration and authentication of the Note, unless: (a) such Note is registered and authenticated as of an interest payment date, in which event such Note shall bear interest from said interest payment date, or (b) such Note is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Note shall bear interest from such interest payment date, or (c) such Note is registered and authenticated on or prior to the Record Date preceding September 1, 2012, in which event such Note shall bear interest from March 13, 2012, or (d) as shown by the records of the Paying Agent, interest on such Note shall be in default, in which event such Notes shall bear interest from the date to which interest was last paid on such Note. Interest on the Notes shall be paid initially on September 1, 2012, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Note is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Note subsequent to such Record Date and prior to such interest payment date, unless the Township shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Note is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Notes not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Notes are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania (the "Commonwealth") are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Security

The Notes will be general obligations of the Township, payable from its taxes and other general revenues. The Township has covenanted that it will include in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Notes for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Notes and the interest thereon at the dates and place and in the manner stated on the Notes, and for such budgeting, appropriation and payment the Township irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the Township, presently without limitation as to rate or amount for such purpose. The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein).

Transfer, Exchange and Registration of Notes

The Township and the Paying Agent shall not be required (a) to register the transfer of or exchange any Notes then considered for redemption during a period beginning at the close of business on the fifth (5th) day next preceding any date of selection of Notes to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Note selected for redemption until after the redemption date. Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations of the same series, maturity, and interest rate.

Notes are transferable or exchangeable by the registered owners thereof upon surrender of Notes to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Notes in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Note or Notes of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The Township and the Paying Agent may deem and treat the registered owner of any Note as the absolute owner thereof (whether or not a Note shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the Township and the Paying Agent shall not be affected by any notice to the contrary.

Sinking Fund

A sinking fund for the payment of debt service on the Notes, designated “Sinking Fund-General Obligation Notes, Series of 2012” (the “Sinking Fund”), has been created under the Ordinance and is maintained by the Paying Agent, as sinking fund depository. The Township shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Notes so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Notes.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the Township. Such deposits and securities shall be in the name of the Township, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the Township to pay from the Sinking Fund the principal of and interest on the Notes, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The Township (herein referred to as the “Issuer”) and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the Township or the Underwriter.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity and series of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The Ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE NOTES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE NOTES; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO NOTEHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Notes paid to DTC or its nominee, as the registered owner of the Notes, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF NOTES

Mandatory Redemption

Bidders may elect to structure the issue to include term notes, which term notes, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Notes to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Notes to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the Township, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the Township may tender to the Paying Agent, all or part of the Notes subject to being drawn for redemption in any such year.

Optional Redemption

The Notes stated to mature on or after September 1, 2017, shall be subject to redemption prior to maturity, at the option of the Township, as a whole, on March 1, 2017, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the Township and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Notes redeemed, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than forty-five (45) days and not less than twenty (20) days prior to the date fixed for redemption addressed to each of the registered owners of Notes to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Notes so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Notes or portions thereof so called for redemption shall cease to accrue and such Notes or portions thereof shall cease to be entitled to any benefit or security under the Ordinance, and registered owners of such Notes or portions thereof so called for redemption shall have no rights with respect to such Notes, except to receive payment of the principal of and accrued interest on such Notes to the date fixed for redemption.

With respect to any optional redemption of Notes, if at the time of mailing such notice of redemption, the Township shall not have deposited with the Paying Agent moneys sufficient to redeem all the Notes called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Manner of Redemption

If a Note is of a denomination larger than \$5,000, a portion of such Note may be redeemed. For the purposes of redemption, a Note shall be treated as representing that number of Notes that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Note being subject to redemption. In the case of partial redemption of a Note, payment of the redemption price shall be made only upon surrender of such Note in exchange for Notes of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

THE TOWNSHIP

Description

The Township is located in southeastern Montgomery County and covers an area of 7.5 square miles. The Township is located in the Philadelphia Primary Metropolitan Statistical Area approximately 15 mile north of downtown Philadelphia. The Township is bounded on the west by the Borough of Hatboro, on the south by Upper Dublin and Horsham Townships, on the east by Abington and Lower Moreland Townships and the Borough of Bryn Athyn, and on the north by Bucks County.

Character

The Township is principally a middle income residential suburb of Philadelphia with a commercial area located in the unincorporated community of Willow Grove. Office, commercial, institutional, and industrial development has taken place in the Willow Grove Industrial and Office Center located adjacent to the Willow Grove Interchange of the Pennsylvania Turnpike, which passes through the Township. For a more detailed description of the Township's economic and demographic description see Appendix A herein.

Township Government

The Township is a township of the first class under the laws of the Commonwealth of Pennsylvania, the governing body of which is the Board of Commissioners (the "Board"). The Board consists of seven members elected from each of the Township's seven wards with each member elected for a four year term.

The Board has, by Ordinance, established the office of Township Manager. The Township Manager is appointed by, and serves at the discretion of the Board, to administer the daily operations of the Township. The current Township Manager was appointed in 2004. In addition to the Township Manager, the operations of the Township are carried out by other appointed officials and employees of the Township, including the Assistant Manager/Director of Finance, Chief of Police, Director of Code Enforcement, Director of Public Works, Director of Emergency Services and Director of Parks and Recreation.

Real estate taxes of the Township are collected by the Treasurer, who serves as tax collector, and is an elected official. Beginning in 2006, Berkheimer Associates, as designated by the tax collection committee of Montgomery County, was appointed to collect the earned income taxes imposed by the Township under the Local Tax Enabling Act (as hereafter defined). Other taxes imposed by the Township under the Local Tax Enabling Act (as hereafter defined) are collected by the Tax Enforcement Officer within the administrative offices of the Township.

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TOWNSHIP FINANCES

Introduction

The Township’s financial statements include Township operations, but excludes the Upper Moreland-Hatboro Joint Sewer Authority (which provides sewer service to the Township), the Willow Grove Volunteer Fire Company No. 1 (which provides services as the Township Fire Department), and the Second Alarmer’s Association and Rescue Squad (which provides ambulance services to the Township).

Financial Reporting

The Township’s governmental and fiduciary fund types utilize the modified accrual basis of accounting. Under this method, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

The Township’s financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Bee, Bergvall & Co., of Warrington, Pennsylvania serves as Township auditor.

Summary of Fund Revenues, Expenditures and Changes in Fund Balances

A summary of the balance sheet and receipts and expenditures in fund balances are presented in Tables 1 and 2 which follow. The budget for 2012 is projecting a balanced budget of receipts and expenditures.

TABLE 1

**TOWNSHIP OF UPPER MORELAND
GENERAL FUND BALANCE SHEET**

ASSETS	2007	2008	2009	2010
Cash and Cash Equivalents	\$2,358,197	\$1,527,650	\$1,250,706	\$3,279,811
Investments	2,191,307	3,742,818	3,974,970	960,000
Accounts receivable.....	7220	96,094	156,200	602,301
Taxes receivable, net	0	123,738	128,975	0
Other receivables	0	11,643	0	170,642
Due from other governments.....	0	169,185	0	0
TOTAL ASSETS	<u>\$4,556,724</u>	<u>\$5,671,128</u>	<u>\$5,510,851</u>	<u>\$5,012,754</u>
LIABILITIES				
Accounts payable and accrued wages	\$228,138	\$249,715	\$198,169	\$302,915
Due to other funds	0	0	0	22,000
Due to other governments	856	800	783	0
Due to other funds	0	0	31,500	0
Deferred revenue	6,480	108,731	135,329	87,552
TOTAL LIABILITIES	<u>\$235,474</u>	<u>\$359,246</u>	<u>\$365,781</u>	<u>\$412,467</u>
FUND EQUITIES				
Reserved for:				
Public safety.....	\$0	\$0	\$0	\$7,058
Open space.....	0	0	0	65,605
Train station study	0	0	0	15,000
Unreserved, reported in:				
General Fund	4,321,250	5,311,882	5,145,070	4,512,624
TOTAL FUND EQUITIES	<u>\$4,321,250</u>	<u>\$5,311,882</u>	<u>\$5,145,070</u>	<u>\$4,600,287</u>
TOTAL FUND EQUITIES	<u>\$4,556,724</u>	<u>\$5,671,128</u>	<u>\$5,510,851</u>	<u>\$5,012,754</u>

Source: Financial Audits and Township officials.

TABLE 2

**TOWNSHIP OF UPPER MORELAND
RECEIPTS AND EXPENDITURES***

REVENUES:	Actual				Unaudited	Budgeted
	2007	2008	2009	2010	2011 ⁽¹⁾	2012 ⁽²⁾
Taxes	\$12,552,543	\$12,837,319	\$12,402,214	\$12,332,818	\$14,323,912	\$14,202,766
Fees, licenses and permits.....	427,094	762,792	751,886	518,777	534,650	534,450
Investment income and rent.....	322,086	363,483	133,936	29,646	32,775	31,540
Intergovernmental revenues.....	565,507	748,498	783,991	750,908	1,964,529	1,062,907
Fines and forfeitures.....	279,247	0	0	263,016	262,240	268,000
Program revenues.....	0	0	0	0	313,404	331,000
Charges for services.....	1,925,791	2,146,780	2,043,055	2,141,635	1,755,000	1,815,000
Other.....	228,794	13,605	62,208	117,036	212,870	498,941
TOTAL REVENUE	\$16,301,062	\$16,872,477	\$16,177,290	\$16,153,836	\$19,399,380	\$18,744,604
EXPENDITURES:						
Current:						
General Government	\$1,700,287	\$1,782,798	\$1,817,882	\$1,769,344	\$1,857,660	\$1,911,336
Public Safety	4,856,323	5,570,698	5,383,236	5,404,217	5,242,996	5,218,885
Sanitation.....	1,423,254	1,396,315	1,378,092	1,407,260	1,440,610	1,428,516
Highways and roads.....	1,767,592	1,880,338	1,913,572	1,866,216	2,532,377	2,637,737
Culture and recreation.....	1,811,282	1,751,505	1,803,928	1,825,840	1,877,795	1,894,093
Miscellaneous Expenditures	3,431,298	3,542,292	4,004,301	4,314,509	5,085,752	5,006,731
Debt Service ⁽³⁾						
Principal	0	0	0	0	921,466	496,642
Interest.....	0	0	0	0	211,182	138,924
Capital Projects	0	0	0	0	175,194	0
TOTAL EXPENDITURES	\$14,990,036	\$15,923,946	\$16,301,011	\$16,587,386	\$19,345,032	\$18,732,864
EXCESS REVENUES (EXPENDITURES)	\$1,311,026	\$948,531	(\$123,721)	(\$433,550)	\$54,348	\$11,740
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of fixed assets	\$0	\$0	\$0	\$49,393	\$16,320	\$0
Refund of prior year revenues.....	(18,434)	55,029	83,549	0	(53,433)	0
Proceeds from sale of capital assets.....	0	39,072	22,320	0	0	10,000
Operating Transfers In	0	0	0	0	0	(10,000)
Operating Transfers Out.....	(634,760)	(52,000)	(148,960)	(160,626)	0	0
TOTAL OTHER FINANCING SOURCES AND (USES)	(\$653,194)	\$42,101	(\$43,091)	(\$111,233)	(\$37,113)	\$0
EXCESS OF REVENUES AND OTHER						
Sources Over (Under)						
Expenditures and Other Uses.....	\$657,832	\$990,632	(\$166,812)	(\$544,783)	\$17,235	\$11,740
FUND BALANCE BEGINNING	3,663,418	4,321,250	5,311,882	5,145,070	4,600,287	4,617,522
FUND BALANCE ENDING	\$4,321,250	\$5,311,882	\$5,145,070	\$4,600,287	\$4,617,522	\$4,629,262

*Totals may not add due to rounding.

⁽¹⁾Unaudited, subject to change and final Audit.

⁽²⁾Budget as adopted December 5, 2011. See "Summary and Discussion of Financial Results" herein.

⁽³⁾Included in miscellaneous expenses above.

Source: Township Annual Financial Reports and Budget.

Taxing Powers

The Board of Township Commissioners for any township of the first class may, by ordinance, levy taxes upon all real property and upon all occupations, or upon real property alone, within the Township made taxable for township purposes, as ascertained by the last adjusted valuation for township purposes, for the purposes and at the rates specified below:

1. An annual township tax, for road, bridge, and general township purposes, not exceeding 14 mills. Where the Board of Commissioners, by a majority action, shall, upon due cause shown, petition the court of common pleas for the right to levy additional millage, the court, after such public notice as it may direct and after hearing, may order a greater rate than fourteen mills but not exceeding five additional mills, to be levied.
2. Upon receipt of a petition of a majority of the owners of real estate of the township requesting it, an annual tax, not exceeding five mills, for the purpose of lighting the highways, roads and other public places in the townships, and of defraying the costs, charges and expenses thereof.
3. An annual tax so long as necessary not exceeding fifty percent of the rate of assessment for the township tax, for the purpose of procuring a lot and erecting a building thereon for a townhouse, and for the payment of indebtedness incurred in connection therewith.
4. An annual tax, not exceeding three mills, pursuant to provision therefor in the township budget, for the purpose of purchasing and maintaining fire apparatus, for the purpose of making appropriations to fire companies both within and without the Township and of contracting with adjacent municipalities or volunteer fire companies therein for fire protection, for the purpose and maintenance of fire apparatus, and for the purpose of providing a suitable place for the housing of fire apparatus.
5. A tax not exceeding two mills for the purpose of establishing and maintaining fire hydrants and fire hydrant water service, after obtaining the assent of fifty-one per centum of the electors of the township voting thereon in the manner provided by the Code.
6. A tax, for the purpose of maintaining and operating parks, playgrounds, playfields, gymnasiums, public baths, swimming pools and recreation centers.
7. An annual tax sufficient to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act.
8. An annual tax, not exceeding one-half mill, for the purpose of supporting ambulance and rescue squads serving the Township.
9. A special tax for the purpose of maintaining a public library after obtaining approval of the electors of the Township voting thereon, but appropriations for library purposes are not limited to those made from special tax levies.

Whenever the assent of the electors is required as hereinbefore provided, the same shall be expressed at an election to be held at the place and time of any general, special or primary election, and under the same regulations as provided by law for the holding of municipal elections.

Under the Act of December 31, 1965, P.L. 1257, effective January 1, 1966, 53 P.S. Section 6901 *et seq.* (the "Local Tax Enabling Act"), which replaces and repeals Act 481 of June 25, 1947, P.L. 1145, certain additional taxes may be levied by townships of the first class (subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege), subject to the following limitations:

Per Capita Tax	\$10
Gross Receipts of Wholesalers	1 mill
Gross Receipts of retailers	1 ½ mills
Gross Receipts of service industries (Business Privilege).....	3 mills
Wages, salaries, commissions and other earned income of individuals	1%
Transfer of title of real property.....	1%
Flat rate occupation.....	\$10
Emergency and Municipal Services Tax, formerly known as the Occupational Privilege Tax (maximum rate)	\$52.00
Amusement (except Motion Picture Theaters).....	10%
Mechanical Devices Tax.....	10%

The above taxes, under the Local Tax Enabling Act, are subject to the limitation that the aggregate of such taxes may not exceed the product obtained by multiplying the latest total market valuation of real estate in the Township by twelve mills.

The Township's Local Enabling Tax collection for 2007-2011 is depicted in the chart below.

	2007	2008	2009	2010	2011
Real Estate Transfer Tax.....	\$500,000	\$452,400	\$292,400	\$256,500	\$363,000
Occupational Privilege Tax.....	160,000	183,300	170,300	173,200	183,000
Earned Income Tax	3,100,000	2,894,600	2,913,500	2,864,500	2,882,000
Mercantile Tax	1,180,000	1,435,000	1,324,700	1,216,500	1,424,000
Business Privilege Tax.....	2,250,000	2,736,700	2,816,600	2,846,300	2,855,000
Prior Year Collections.....	660,000	842,000	583,000	687,200	655,000
Total.....	\$7,850,000	\$8,544,000	\$8,100,500	\$8,044,200	\$8,362,000

Source: Township officials.

**TOWNSHIP OF UPPER MORELAND
REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

Year	Upper Moreland Township (mills)	County (mills)	School District (mills)	Total Combined (mills)	Share of Total Rates Levied By Upper Moreland Township (%)
2007	3.659	2.840	21.68	27.998	13.07%
2008	3.659	2.695	24.09	30.444	12.02%
2009	3.659	2.695	24.09	30.444	12.02%
2010	3.659	2.695	25.32	31.674	11.55%
2011	3.659	2.695	26.77	33.124	11.05%
2012	4.157	3.152	26.77	34.079	12.20%

Source: Township officials.

Real Estate Valuation

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Montgomery County was in 1998.

Property Assessments

A five year trend of land use in the Township is classified by the most recent land assessed valuation of real property by the Pennsylvania State Tax Equalization Board, appears below:

**TOWNSHIP OF UPPER MORELAND
ASSESSMENT BY LAND USE**

	2007	2008	2009	2010	2011
Residential	\$923,406,247	\$923,948,047	\$821,717,567	\$923,318,167	\$924,371,047
Lots	4,311,400	3,824,240	3,720,560	3,587,920	3,480,750
Industrial	92,374,440	90,241,860	77,938,340	77,147,050	77,205,150
Commercial.....	399,010,017	423,892,357	439,467,451	457,152,531	451,082,921
Agriculture	4,794,350	5,660,760	5,660,760	5,660,760	5,660,760
Totals.....	\$1,423,896,454	\$1,447,567,264	\$1,348,504,678	\$1,466,866,428	\$1,461,800,628

Source: Pennsylvania State Tax Equalization Board.

Property valuations have increased during the past decade due to office, commercial, institutional, and industrial development taking place in Willow Grove Industrial and Office Center and the increased value of homes in the Township.

The assessed valuation and market valuation of real property in the Township and the County for 2010 and 2011, as reported by the Pennsylvania State Tax Equalization Board, are shown below:

REAL PROPERTY ASSESSMENT DATA

<u>Year</u>	<u>Upper Moreland Township</u>		<u>Montgomery County</u>	
	<u>Market Value</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Assessed Value</u>
2010	\$2,011,622,479	\$1,466,866,428	\$78,860,011,434	\$57,211,968,335
2011	\$2,178,632,329	\$1,461,800,628	\$85,885,993,359	\$58,361,518,718

The budgeted assessed valuation for the Township for 2012 is \$1,454,500,000 according to Township officials, continuing the increasing trend in assessed values in the Township.

**TOWNSHIP OF UPPER MORELAND
CONSTRUCTION HISTORY
(2007-2011)**

Building Permits

Township issuance of building permits is summarized below:

<u>Value of Construction</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New Residential	\$686,000	\$295,000	\$1,193,250	\$2,772,722	\$525,800
New Nonresidential.....	17,866,000	1,507,454	7,937,400	750,000	890,000
Alterations, Additions, Conversions ..	18,432,139	4,031,255	4,899,298	5,949,675	6,517,255
Total	<u>\$36,984,139</u>	<u>\$5,833,709</u>	<u>\$14,029,948</u>	<u>\$9,472,397</u>	<u>\$7,933,055</u>
Number of Permits					
New residential	5	1	5	5	5
New nonresidential	3	2	3	1	3
Alterations, Additions, Conversions ..	509	357	338	428	442
Building demolitions.....	13	14	12	16	12
Total	<u>530</u>	<u>374</u>	<u>358</u>	<u>450</u>	<u>462</u>

Source: Township officials.

Tax Collection Procedures

The real estate tax collection process of the Township entitles all taxpayers subject to the payment of real estate taxes to a discount of two percent (2%) from the amount thereof within two months after the date of the tax notices. Remittances between two (2) months and four (4) months are paid at face value. Thereafter, the penalty for late payment is ten percent (10%) of the amount of the tax. Unpaid taxes after one year are turned over to the Montgomery County Tax Claim Bureau; a tax sale is conducted on the property if settlement on taxes is not made within one additional year.

The following table indicates the Township's assessed valuations of real property, tax levy, and current and total real estate collections for the years 2002-2011.

**TOWNSHIP OF UPPER MORELAND
REAL PROPERTY TAX COLLECTION DATA**

Year	Tax Levy	Current Collections	Total Collections as Percent of Total Adjusted Flat Billing
2002	\$2,957,855	\$3,158,220	106.77%
2003	3,393,538	3,317,807	97.77%
2004	4,055,743	3,948,670	97.36%
2005	5,210,037	5,111,106	98.10%
2006	5,296,649	5,173,580	97.68%
2007	5,294,832	5,151,032	97.28%
2008	5,300,079	5,355,080	101.04%
2009	5,367,264	5,300,054	98.75%
2010	5,348,728	5,270,769	98.54%
2011	6,039,753	5,947,786	98.48%

Source: Township officials

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The ten (10) largest taxpayers in the Township and their 2011 assessed valuations are as follows. The aggregate assessed value of these ten taxpayers totals approximately 11.21 percent of total assessed value.

**TOWNSHIP OF UPPER MORELAND
TEN LARGEST REAL PROPERTY TAXPAYERS, 2011**

Owner	Property	2011 Assessed Value
Good Mac Realty	Shopping Center	\$29,140,240
Blair Mill Associates ⁽¹⁾	Apartment Complex	21,940,900
New Century Associates ⁽²⁾	Shopping Center	20,236,000
Federal Realty	Shopping Center	16,489,230
Fulmore Heights Home	Condominiums	14,601,630
Michael Bruce Realty Part ⁽³⁾	Department Stores	12,395,150
Maple Village	Retirement Center	11,796,270
Philadelphia Missionary	Retirement Center	10,080,260
Jamestown Village Apts. ⁽⁴⁾	Apartment Complex	9,300,200
Waterford Of Willow Grove ⁽⁵⁾	Hotel	8,642,298
Total		\$154,622,178

⁽¹⁾An appeal is pending in the Montgomery County Court of Common Pleas for the taxpayers' 2011 assessment and thereafter.

⁽²⁾An appeal is pending in the Montgomery County Court of Common Pleas for the taxpayers' 2010 assessment and thereafter.

⁽³⁾An appeal is pending in the Montgomery County Court of Common Pleas for the taxpayers' 2010 assessment and thereafter.

⁽⁴⁾An appeal is pending in the Montgomery County Court of Common Pleas for the taxpayers' 2012 assessment.

⁽⁵⁾An appeal is pending in the Montgomery County Court of Common Pleas for the taxpayers' 2012 assessment.

Note: There are other assessment appeals pending before the Montgomery County Court of Common Pleas or the Board of Assessment Appeals for properties other than those of the ten largest real property taxpayers noted above.

Source: Township Officials.

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Financial History and Outstanding Financing

The Township has regularly issued and repaid, in a timely manner, short-term debt to finance specific, smaller capital improvement projects.

A summary of the Townships Direct and Overlapping Debt is included under the following “Statement of Indebtedness.”

**DEBT AND DEBT LIMITS
STATEMENT OF INDEBTEDNESS
Net Direct Note and Note Indebtedness
(As of January 26, 2012)***

	Gross Outstanding
GENERAL OBLIGATION DEBT	
General Obligation Bonds, Series of 2012	\$5,300,000
General Obligation Note (PEMA), Series of 2007 ⁽¹⁾	107,500
General Obligation Note (PEMA), Series of 1999 ⁽¹⁾	19,890
General Obligation Note, Series of 1997	95,000
Total General Obligation Debt	\$5,522,390
TOTAL LEASE RENTAL DEBT	\$ 0
TOTAL DIRECT DEBT	\$5,522,390
OVERLAPPING DEBT	
Montgomery County ⁽²⁾	\$11,314,454
School District of Upper Moreland Township ⁽³⁾	72,285,000
TOTAL OVERLAPPING DEBT	\$83,599,454
TOTAL DIRECT AND OVERLAPPING DEBT	\$89,121,844
DEBT RATIOS	
Per Capita	\$3,711.09
Percent 2011 Assessed Value	6.10%
Percent 2011 Market Value	4.09%

*Taking into effect the issuance of the Notes and excludes the 2004 and 2008 Bonds being refunded herein. Estimated, subject to change.

⁽¹⁾Guaranteed PEMA Loan to Willow Grove Fire Company.

⁽²⁾Pro rata 2.54% share of \$446,038,126 principal amount outstanding.

⁽³⁾Does not include State Reimbursement for School District.

Sources: Township officials, Montgomery County officials, and Upper Moreland Township.

Types of Indebtedness under the Debt Act

The Debt Act establishes three forms of debt for a local government unit: (i) electoral debt (debt incurred with the approval of the electors for which there is no limitation on the amount that may be so incurred), (ii) nonelectoral debt (debt of a local government unit not being electoral or lease rental debt for which the limitation on all such net debt which may be incurred is 250 percent of the borrowing base for the Township), and (iii) lease rental debt (the principal amount of municipal authority debt or debt of another local government unit to be repaid by the local government unit pursuant to a lease, subsidy contract guarantee or other form of agreement where such debt is or may be payable out of the tax revenues and other general revenues; the limitation on all such net debt which may be incurred, including any net nonelectoral debt incurred, is 350 percent of the borrowing base for the Township). Any debt which is approved by the Pennsylvania Department of Community and Economic Development as subsidized or self-liquidating may be deducted or excluded from the determination of any such debt incurred in determining the net debt of the local governmental unit to which such limitations are applicable. Certain other deductions are allowed in determining net debt.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the Township under the Act is computed as a percentage of the Township’s “Borrowing Base”. The “Borrowing Base” is defined as the annual arithmetic average of total “Revenues” (as defined by the Act), for the three full calendar years ended next preceding the date of incurring debt. The Township calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2009	\$16,154,970
Total Revenues for 2010	16,104,443
Total Revenues for 2011 (unaudited)	19,383,060
Total	\$51,642,473
Annual Arithmetic Average (Borrowing Base)	\$17,214,158

Under the Act as presently in effect, (i) new nonelectoral debt may not be incurred if the net amount of such new nonelectoral debt plus all outstanding net nonelectoral debt would cause total net nonelectoral debt to exceed 250% of the Borrowing Base and (ii) new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 350% of the Borrowing Base. The application of the aforesaid percentages to the Township’s Borrowing Base produces the following products:

	Legal Limit	Net Debt Outstanding*	Remaining Borrowing Capacity
Net Nonelectoral Debt Limit:			
250% of Borrowing Base.....	\$43,035,394	\$5,492,390	\$37,543,004
Net Nonelectoral and Lease Rental Debt Limit:			
350% of Borrowing Base.....	\$60,249,552	\$5,492,390	\$54,757,162

*Includes the Notes being offered through this Preliminary Official Statement. Excludes the 2004 and 2008 Bonds being refunded herein.

Debt Service Requirements

The Township has never defaulted on payment of principal or interest on any of its obligations.

Future Financing

The Township has no plans to issue additional long-term debt in the immediate future.

Labor Relations

Township employees are represented by two collective bargaining units as follows:

Union	Represents	Current Contract Expires
Upper Moreland Police Benevolent Association	Police Officers	12/31/2014
Teamsters Local 107	Non-uniformed & Clerical employees	12/31/2013

The Township employees have never gone on strike.

Source: Township officials.

The Township employs 107 full time and 21 part time employees as well as 70 -80 seasonal part time employees. There are three groups of employees organized for the purpose of collective bargaining: the Police Department, Public Works Department and Administrative support (clerical employees). There has never been a strike or work stoppage of any kind.

Township Pension Plan

The Township has three pension plans for employees.

Police Pension Plan

The Township has established a Police Pension Plan (“PPP”) under the terms of the Act of May 29, 1956, P.L. 1804, No. 600, as amended 53 P.S. Section 767 *et seq.* (“Act 600”). The PPP is administered by a board of trustees appointed by the Board for three year terms. The PPP covers and provides pension benefits under the terms of Act 600 to all full-time police officers of the Township. The Township and the police officers covered by the PPP have made all required contributions to the PPP.

Employees’ Pension Plans

The Township is a participant in the Pennsylvania Municipal Retirement System (“PMRS”) established under the terms of the Act of February 1, 1974, P.L. 34, No. 15, as amended 53 P.S. Section 881.101 *et seq.*, which provides for pension benefits for all other employees of the Township.

Insurance

The Township is a participant in the Delaware Valley Insurance Trust (“DVIT”), a self-insurance program created by a number of municipalities within Montgomery, Bucks, and Delaware counties. DVIT provides liability insurance coverage for the participants. Under the terms of the agreement establishing DVIT and to which the Township is a party, the Township is obligated to pay assessment to fund expected losses, expense of the trust and build trust surplus. Reinsurance has been obtained by DVIT to provide excess insurance coverage for losses in excess of \$250,000 for liability. DVIT has also obtained an excess coverage policy with respect to property damage claims which covers losses in excess of \$100,000.

The Township is also a participant in the Delaware Valley Workers’ Compensation Trust (“D VWCT”), a self-insurance program created by a number of municipalities with Montgomery, Bucks, Chester and Lehigh Counties. D VWCT provides workers compensation insurance coverage for the employees of its participants. D VWCT has obtained an excess coverage policy with respect to claims which covers losses in excess of \$250,000.

Other Post-Employment Benefits

The Township is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The Township became subject to the requirements of GASB Statements No. 43 and 45 commencing with the Township’s annual financial statements for calendar year ending December 31, 2009. For a full description of the plan, please refer to Appendix “C” - Annual Financial Report - Fiscal year Ended June 30, 2010.

LITIGATION

Upon delivery of the Notes, the Township shall furnish or cause to be furnished, a certificate, in form satisfactory to Note Counsel and the Underwriter, to the effect that, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Notes, or the proceedings of the Township taken in connection therewith, or the application of any moneys provided for the payment, or contesting the powers of the Township with respect to the foregoing or the consummation of the transaction contemplated by this Preliminary Official Statement.

DEFAULTS AND REMEDIES

In the event of failure of the Township to pay or cause to be paid the interest on or principal of the Notes, as the same becomes due and payable, the holders of the Notes shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Notes shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the Township is located. The Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the Township. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Notes may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

Tax Exemption-Opinion of Note Counsel

The Internal Revenue Code of 1986, as amended (the "**Code**") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Notes. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Notes and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Township subsequent to the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Township has made covenants to comply with such requirements.

In the opinion of Note Counsel, interest (including accrued original issue discount) on the Notes is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Note Counsel is subject to the condition that the Township comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Notes in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Notes to be so includable in gross income retroactive to the date of issuance of the Notes. The Township has covenanted to comply with all such requirements. Interest on the Notes is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the Notes is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Based on the representations made by the Township, it is the opinion of Note Counsel, that banks, thrift institutions and other financial institutions which purchase the Notes may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Notes pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. Note Counsel expresses no opinion regarding other federal tax consequences relating to the Notes or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," "Property or Casualty Insurance Company", "Reportable Payments and Back-up Withholding" and "Accounting Treatment of Original Issue Discount and Amortizable Note Premium" below.

In the opinion of Note Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the Notes, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Notes or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the Notes are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the Notes are exempt from personal property taxes in Pennsylvania and interest on the Notes is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent (75%) of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the Notes) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income." For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the Notes. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the Notes may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "**benefits**") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Notes) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions discussed below, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Notes. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Notes and any other tax-exempt obligations acquired after August 7, 1986.

An exception to the complete denial to financial institutions for interest paid on funds allocable to purchase or carry tax-exempt obligations applies if such obligations are "qualified tax-exempt obligations." Under Section 265(b)(3) of the Code, an obligation is a "qualified tax-exempt obligation" if: (i) the obligation is not a "private activity bond;" (ii) the Township and all entities that must be aggregated with it pursuant to the Code ("**Other Issuers**") do not reasonably anticipate issuing during the calendar year tax-exempt obligations (other than private activity bonds) in excess of \$10 million (other than certain obligations not required to be taken into account under the Code); and (iii) the Township designates the tax-exempt obligations as "qualified tax-exempt obligations." For purposes of this exception, a qualified 501(c)(3) bond is not included within the definition of a "private activity bond." If the tax-exempt obligation is a "qualified tax-exempt obligation," then eighty percent (80%) of the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry such obligations will be allowed under Sections 265(b) and 291(e)(1)(B) of the Code.

The Township has represented that the Notes are not private activity bonds. The Township has designated the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code and has represented that neither it nor any Other Issuers has issued or expects to issue more than \$10,000,000 of "tax-exempt obligations" (other than certain obligations not required to be taken into account for purposes of that Section of the Code) in the calendar year 2012. Based on such representations, it is Note Counsel's opinion, that banks, thrift institutions and other financial institutions which purchase the Notes may deduct eighty percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Notes pursuant to Sections 265(b) and 291(e)(1)(B) of the Code.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Reportable Payments and Backup Withholding

Under 2006 amendments to the Internal Revenue Code, payments of interest on the Notes will be reported to the Internal Revenue Service by the payor on Form 1099 unless the Noteholder is an "exempt person" under Section 6049 of the Code. A Noteholder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the Noteholder does not file Form W-9 with the payor advising the payor of the Noteholder's taxpayer identification number. Noteholders should consult with their brokers regarding this matter.

The payor will report to the Noteholders and to the Internal Revenue Service for each calendar year the amount of any "reportable payments" during such year and the amount of tax, if any, with respect to payments made on the Notes.

Accounting Treatment of Original Issue Discount and Amortizable Note Premium

The Notes maturing on and after September 1, ____ are herein referred to as the "Discount Notes." In the opinion of Note Counsel, the difference between the initial public offering price of the Discount Notes set forth on the inside cover page and the stated redemption price at maturity of each such Note constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Notes, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Notes under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Note who purchases it in the original offering at the initial public offering price owns that Discount Note to maturity, that Noteholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Note at maturity. An owner of a Discount Note who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Note prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Note and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Notes should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Notes. Prospective purchasers of the Discount Notes should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.

The Notes maturing on September 1, _____ are hereinafter referred to as the "Premium Notes." An amount equal to the excess of the initial public offering price of a Premium Note set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Note. A purchaser of a Premium Note must amortize any premium over such Premium Note's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Note is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Note prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Notes, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Notes.

SECONDARY MARKET DISCLOSURE

General. The Township has covenanted for the benefit of the Holders of the Notes in a Continuing Disclosure Agreement dated as of March 13, 2012 (the "**Disclosure Agreement**") to (a) provide notices of the occurrence of certain enumerated events; and (b) provide certain financial information and operating data relating to the Township by not later than the first day of the eighth calendar month immediately following the end of the Township's fiscal year, e.g., by not later than August 1 of each year, commencing August 1, 2013 (the "**Annual Report**"). The Annual Report and the notices of significant events, both summarized below, will be filed by the Township with the Electronic Municipal Market Access System ("**EMMA**") maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of significant events is summarized below. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12, as amended (the "**Rule**").

Annual Reports. The Township's Annual Report filed with EMMA shall contain or incorporate by reference the following information with respect to the relevant fiscal year: (i) audited financial statements; (ii) an update of the following types of financial and operating information included in the Official Statement under the headings "Township Finances – Summary of Fund Revenues, Expenditures and Changes in Fund Balances; Real Estate Valuation; Property Assessments; and Tax Collection Procedures"; and "Debt and Debt Limits – Statement of Indebtedness; Debt Limit and Remaining Borrowing Capacity"; and (iii) the total numbers of employees of the Township.

Notices of Significant Events. Upon the occurrence of any of the following notice events, the Township shall in a timely manner not in excess of ten (10) business days after the *occurrence* of any of the following events, file with EMMA notice of such occurrence: (1) principal and interest payment delinquencies; (2) non payment-related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax status of the Notes; (7) modifications to rights of Holder, if material; (8) note calls (other than mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances of Notes; (10) release, substitution, or sale of property securing repayment of any Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; or (15) failure to provide annual financial information as required.

Accounting Standards. The financial statements described above shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the Township as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body ("GAAP"), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The Township may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Audited financial statements of the Township not submitted as part of the Annual Report shall be provided to EMMA if and when available to the Township, and in any event not more than thirty (30) days after receipt thereof from the Township's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Township shall provide in lieu thereof unaudited financial statements meeting the description set forth above.

Termination of Reporting Obligation. The Township's obligations under the Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Notes or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both under the Disclosure Agreement and under the Notes.

Amendments. Notwithstanding any other provision of the Disclosure Agreement, the Township may modify or amend the Disclosure Agreement. Under the current SEC interpretation of the Rule, the following preconditions must be satisfied: (a) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Township, or change in the type of business conducted by the Township; (b) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Notes, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment does not materially adversely affect the interests of Holders as determined either by a party unaffiliated with the Township (such as the Paying Agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

To the extent required by the Rule, the Township shall disclose in the next Annual Report the amendment and its impact on the information being provided.

Defaults. In the event of a failure of the Township to comply with any provision of the Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Township to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Ordinance or the Notes, and the sole remedy under the Disclosure Agreement in the event of any failure of the Township to comply with the Disclosure Agreement shall be an action to compel performance, provided, however, that nothing in the Disclosure Agreement shall limit any Holder's rights under applicable federal securities law.

As of the date hereof, the Township has complied with all prior written undertakings under the Rule to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities.

RATINGS

Moody's Investors Service, Inc., has assigned an underlying rating of "_____" on the Notes. Moody's Investor Service has assigned its municipal Note rating of "_____" to the Notes and has done so with the understanding that upon delivery of the Notes, the municipal Note insurance policy will be issued by _____. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Underwriter has agreed to purchase the Notes from the Township, subject to certain conditions precedent, and will purchase all of the Notes if any of such Notes are purchased. The Notes will be purchased for a purchase price of \$_____ which is equal to the par value of the Notes, less an underwriter's discount, plus a net original issue premium, and accrued interest, if any, from the dated date to the date of delivery of the Notes.

LEGAL OPINION

The Notes are offered subject to the receipt of the legal opinion of Saul Ewing LLP, Philadelphia, Pennsylvania, Note Counsel. The proposed form of Note Counsel Opinion is set forth as Appendix B hereof. Certain other legal matters will be passed upon for the Township by Timoney Knox, LLP, of Fort Washington, Pennsylvania, Township Solicitor.

FINANCIAL ADVISOR

The Township has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization, and issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

MISCELLANEOUS

Pending Legislation

From time-to-time, there are legislative proposals pending in the United States Congress that, if enacted into law, could cause interest on notes such as the Notes to be subject, directly or indirectly, to federal income taxation. The introduction or enactment of any legislative proposals could affect the market prices for, or marketability of, the Notes. *Prospective purchasers of the Notes should consult their own tax advisors.*

This Preliminary Official Statement has been prepared under the direction of the Township by Public Financial Management, Inc., Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the Township. The information set forth in this Preliminary Official Statement has been obtained from the Township and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Notes, the Ordinance, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the Township or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Notes.

The Township has authorized the distribution of this Preliminary Official Statement.

TOWNSHIP OF UPPER MORELAND
Montgomery County, Pennsylvania

By: _____
President, Township Commissioners

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APPENDIX A
Demographic and Economic Information
Relating to the Township of Upper Moreland

Introduction

Upper Moreland Township (the “Township”) is located in southeastern Montgomery County and covers an area of 7.5 square miles. The Township is located in the Philadelphia PA-NJ Primary Metropolitan Statistical Area (PMSA), approximately 15 miles north of downtown Philadelphia. The Township is bounded on the west by the Borough of Hatboro, on the south by Upper Dublin and Horsham Townships, on the east by Abington and Lower Moreland Townships and the Borough of Bryn Athyn, and on the north by Bucks County.

Character

The Township is principally a middle income residential suburb of Philadelphia with a commercial area located in the unincorporated community of Willow Grove. Development of office complexes and development for institutional, commercial and industrial uses have taken place throughout the Township.

Municipal Services

The Township provides full-time police protection to its residents and supports the Willow Grove Volunteer Fire Company No. 1 and the Second Alarmist a local ambulance company. In addition, the Township employs 5 emergency medical technicians who provide first responses for fire or medical emergencies. The Township also supports a free public library, provides an active parks and recreation program for residents throughout 17 municipal parks, and a full service public works department that collects trash from all single family residences and duplexes.

Population

Table A-1 which follows shows recent population trends for the Township, Montgomery County and the Commonwealth of Pennsylvania. Table A-2 shows 2010 population by median age and average number of persons per household in the Township, Montgomery County and for the Commonwealth. Average household size for the Township was slightly smaller than Montgomery County and the statewide average.

Table A-1 which follows shows recent population trends for the Township, Montgomery County and the Commonwealth.

**TABLE A-1
RECENT POPULATION TRENDS**

Geographic Area	2000	2010
<i>Township</i>	24,993	24,015
Montgomery County.....	750,097	799,874
Pennsylvania.....	12,281,054	12,702,379

**TABLE A-2
2010 POPULATION BY MEDIAN AGE (YEARS) AND AVERAGE HOUSEHOLD SIZE**

Median Age (Years)	Number	Percent
Township		
16 years and over	19,638	81.8
18 years and over	19,007	79.1
21 years and over	18,303	76.2
62 years and over	4,807	20.0
65 years and over	4,078	17.0
Average Household Size 2.39		
Montgomery County		
16 years and over	638,702	79.9
18 years and over	616,375	77.1
21 years and over	589,989	73.8
62 years and over	146,928	18.4
65 years and over	120,727	15.1
Average Household Size 2.53		
Pennsylvania		
16 years and over	10,260,299	80.8
18 years and over	9,910,224	78.0
21 years and over	9,331,047	73.5
62 years and over	2,390,028	18.8
65 years and over	1,959,307	15.4
Average Household Size 2.45		

Source: U. S. Census Bureau, 2010 (American FactFinder) General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data are not compiled for the Township or the municipality within it, but such data are compiled for the PMSA for November 2011.

For the PMSA as a whole, the construction and mining, transportation and public utilities, wholesale and retail trade, finance insurance and real estate, and service sectors showed an increase during this period, with employment in the other sectors showing a decrease for this period.

The location of the Township also provides residents with many employment opportunities in neighboring communities and major employment center of the Delaware Valley: City of Philadelphia (20 minutes), Valley Forge and King of Prussia Industrial Park (20 minutes) and Fort Washington Industrial Park (5 minutes).

The largest employers located within or near the County and Township include:

Name	Product or Service
Merck Sharp & Dohme Corp.	Manufacturing
Abington Memorial Hospital	Health Care and Social Assistance
Main Line Hospitals	Health Care and Social Assistance
Smithkline Beecham Corporation	Professional and Technical Services
Montgomery County	Public Administration
Giant Food Stores LLC	Retail Trade
Lockheed Martin Corp.	Professional and Technical Services
Wyeth Pharmaceuticals Inc.	Professional and Technical Services
Wal-Mart Associates Inc.	Retail Trade

Source: Center for Workforce Information & Analysis unless otherwise noted – 1st Quarter 2011.

**TABLE A-3
DISTRIBUTION OF EMPLOYMENT
PHILADELPHIA PRIMARY METROPOLITAN STATISTICAL AREA
(Bucks, Chester, Delaware, Montgomery, and Philadelphia – PA Counties)**

**NONFARM JOBS
(November 2011)**

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Nov. 2011	Oct. 2011	Sept. 2011	Nov. 2010	Oct. 2011	Nov. 2010
Total Nonfarm	2,729,300	2,718,900	2,690,300	2,732,400	10,400	-3,100
Total Private	2,387,900	2,379,300	2,362,000	2,379,400	8,600	8,500
Goods Producing	280,700	281,900	281,100	289,600	-1,200	-8,900
Mining, Logging, and Construction	98,300	99,800	98,900	103,000	-1,500	-4,700
Manufacturing	182,400	182,100	182,200	186,600	300	-4,200
Durable Goods	96,300	96,400	96,000	97,900	-100	-1,600
Non-Durable Goods	86,100	85,700	86,200	88,700	400	-2,600
SERVICE-PROVIDING	2,448,600	2,437,000	2,409,200	2,442,800	11,600	5,800
PRIVATE SERVICE-PROVIDING	2,107,200	2,097,400	2,080,900	2,089,800	9,800	17,400
Trade Transportation and Utilities	515,700	504,400	499,800	511,300	11,300	4,400
Wholesale trade	122,900	123,100	123,600	122,000	-200	900
Retail trade.....	299,800	289,200	284,000	297,700	10,600	2,100
General merchandise stores	52,100	47,700	46,100	50,500	4,400	1,600
Transportation, Warehousing and Utilities ...	93,000	92,100	92,200	91,600	900	1,400
Information	49,900	50,200	50,200	51,000	-300	-1,100
Financial Activities	199,400	200,300	200,100	199,800	-900	-400
Finance and Insurance	164,000	164,600	164,500	164,600	-600	-600
Credit intermediation and related activities	68,000	68,100	68,100	68,300	-100	-300
Depository credit intermediation	38,600	38,400	38,400	38,200	200	400
Real estate and rental and leasing	35,400	35,700	35,600	35,200	-300	200
Professional and Business Services	413,100	414,900	415,500	410,200	-1,800	2,900
Professional and technical services.....	201,100	202,200	201,400	199,500	-1,100	1,600
Administrative and waste services.....	154,800	154,900	155,500	154,300	-100	500
EDUCATION AND HEALTH SERVICES	578,000	575,000	561,900	572,300	3,000	5,700
Health care and social assistance	438,100	436,500	434,900	433,600	1,600	4,500
Ambulatory health care services	134,000	133,400	133,200	132,700	600	1,300
Hospitals	138,000	137,800	137,700	136,700	200	1,300
Leisure and Hospitality	229,100	231,200	231,900	225,300	-2,100	3,800
Accommodation and food services	183,700	184,700	183,900	182,200	-1,000	1,500
Other Services.....	122,000	121,400	121,500	119,900	600	2,100
Government	341,400	339,600	328,300	353,000	1,800	-11,600
Federal Government	53,300	53,200	53,100	54,600	100	-1,300
State Government	53,400	53,100	52,600	56,700	300	-3,300
Local Government	234,700	233,300	222,600	241,700	1,400	-7,000

Source: Pennsylvania State Employment Service: www.paworkstats.state.pa.us

Table A-4 shows recent trends in labor force, employment, and unemployment for Montgomery County. Overall labor force and employment opportunities in Montgomery County have increased over the past five years. The unemployment rate for the County has been lower than the Commonwealth.

**TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(MONTGOMERY COUNTY)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽¹⁾</u>	Compound Average Annual Percentage Rate
Montgomery County							
Civilian Labor Force (000) ...	427.8	426.3	433.8	434.6	419.3	417.3	-0.41%
Employment (000)	412.0	411.7	414.8	405.3	388.2	390.5	-0.89%
Unemployment (000).....	15.8	14.6	18.9	29.4	31.1	26.8	9.21%
Unemployment Rate	3.7	3.4	4.4	6.8	7.4	6.4	
Pennsylvania							
Civilian Labor Force (000) ...	6,290.0	6,287.0	6,395.0	6,414.0	6,340.0	6,344.0	0.14%
Employment (000)	6,003.0	6,013.0	6,051.0	5,895.0	5,791.0	5,867.0	-0.38%
Unemployment (000).....	287.0	274.0	344.0	519.0	549.0	467.0	8.45%
Unemployment Rate	4.6	4.4	5.4	8.1	8.7	7.4	

⁽¹⁾As of November 2011.

Source: Department of Labor & Industry, Pennsylvania State Employment Service.

Income

The data on Table A-5 shows recent trends in per capita income for the Township, Montgomery County and Pennsylvania over the 2000-2010 period. The per capita income of the Township increased at a faster rate over this period than per capita income for the Commonwealth and the County.

**TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME***

	<u>2000</u>	<u>2010</u>	Compound Average Annual Percentage Change 2000-2010
Township	\$21,990	32,075	3.85%
Montgomery County.....	30,898	39,511	2.49%
Pennsylvania.....	20,880	26,678	2.48%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000: U.S. Census Bureau & 2010: U.S. Census Bureau, American Fact Finder.

Commercial Activity

The Willow Grove Shopping Center and the Marketplace of Huntingdon Valley are the two largest concentrated commercial areas in the Township. A Super-Fresh Food Market and a Marshall’s Department Store are the featured stores in these centers. In 1994, Home Depot, Toys R Us, and a Pep Boys Superstore opened in other parts of the Township. More recently, Hampton Inn, Marriott, Best Buys, Barnes and Noble and Office Max have also opened facilities in Upper Moreland.

Abington Memorial Hospital has also relocated several ancillary services in Upper Moreland Township including the school of nursing, diagnostic and treatment facilities and professional offices thus creating a sizable medical complex within the Township.

Banks maintaining offices in Upper Moreland include branches of Willow Grove Bank, Wells Fargo Bank, Abington Savings Bank, Fox Chase Federal Savings Bank.

The Willow Grove Chamber of Commerce, an active association of businesses from the entire region, is also based in Upper Moreland.

Immediately adjacent to the Township is the Willow Grove Shopping Mall, which includes Sears, Macy’s and Bloomingdale’s as major anchor tenants, is readily accessible to Township residents.

Table A-6 shows recent trends for retail sales in Montgomery County and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(In Millions of Dollars)

	2007	2008	2009	2010	2011
Montgomery County.....	\$ 17,281,619	\$ 17,509,414	\$16,278,763	\$ 15,650,734	\$ 16,723,717
MSA	104,157,555	107,108,443	94,687,876	89,183,335	94,935,061
Pennsylvania.....	195,558,005	N/R	N/R	174,483,292	188,193,104

N/R: Not reported.

Source: Sales and Marketing Management Magazine

Educational Institutions

Major colleges and universities located near the Township include Arcadia University, Chestnut Hill College, Ursinus College, Bryn Mawr College, Haverford College, Temple University's Ambler Campus, West Chester University, Villanova University, and University of Pennsylvania.

Housing

Land use in the Township is predominantly developed as a residential community with 80 percent being used for residential purposes, consisting of single family housing, townhouses, and apartments.

Medical Facilities

Major hospital facilities servicing the Township area include Montgomery Hospital, Sacred Heart Hospital, Suburban General Hospital, Jeanes Hospital, Holy Redeemer Hospital, Fox Chase Cancer Center, Warminster General Hospital, Chestnut Hill Hospital, Bryn Mawr Hospital, Abington Memorial Hospital, and Lankenau Hospital.

Transportation

The Township residents have available to them a variety of transportation facilities. Commuter passenger rail service is provided by Southeastern Pennsylvania Transportation Authority (SEPTA). Several bus lines serve the area, connecting the Township with neighboring municipalities. Major highways serving the area include the Pennsylvania Turnpike, with the Willow Grove Interchange located in the Township and U.S. 611 linking the Township with Philadelphia on the South and Doylestown on the North. Airport facilities are available at Philadelphia International Airport, one of the major commercial domestic and international passenger and air freight facilities in the United States. The Township is served by over eighty motor freight companies.

Utilities

Sewer services to residents are provided by the Upper Moreland-Hatboro Joint Sewer Authority. Public water services are provided by the Aqua Pennsylvania. PECO Energy provides both electricity and natural gas to users within the Township. Verizon provides local telephone services to residents of the Township.

APPENDIX B
Proposed Form of Note Counsel Opinion



[PROPOSED FORM OF OPINION OF NOTE COUNSEL]

TOWNSHIP OF UPPER MORELAND
(Montgomery County, Pennsylvania)
\$_____ General Obligation Notes,
Series of 2012

OPINION

_____, 2012

TO THE PURCHASERS OF THE
ABOVE-CAPTIONED NOTES:

We have acted as note counsel to the Township of Upper Moreland, Montgomery County, Pennsylvania (the "Township") in connection with the issuance of its \$_____ General Obligation Notes, Series of 2012 (the "Notes"). The Notes are being issued for the purpose of financing the: (i) current refunding of all of the Township's outstanding General Obligation Bonds, Series of 2004 (the "2004 Bonds"), (ii) advance refunding of all of the Township's outstanding General Obligation Bonds, Series of 2008 (the "2008 Bonds"), and (iii) payment of the costs of issuing the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

- 1. The Notes have been duly authorized and executed by the Township, and are valid, binding and enforceable general obligations of the Township.

2. The Notes are payable from general revenues of the Township, presently including *ad valorem* taxes which may be levied on all property taxable for township purposes within the Township without limitation as to rate or amount.

3. The Township has made a provision for the redemption and payment of the 2004 Bonds in accordance with their terms.

4. The Township has made provision for the payment and redemption of the 2008 Bonds in accordance with the terms of the Pledge and Escrow Agreement dated as of March 13, 2012 which constitutes a valid and binding obligation of the Township enforceable in accordance with its terms, except as enforcement may be limited by the exercise of judicial discretion and by bankruptcy, insolvency, moratorium and other laws or equitable principles affecting the rights and remedies of creditors generally.

5. Interest on the Notes is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings, and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Township comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Notes in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Notes to be includable in gross income retroactive to the date of issuance of the Notes. The Township has covenanted to comply with all such requirements. Interest on the Notes is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Notes is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax.

We further call to your attention that the Code, subject to limited exceptions, denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry tax-exempt obligations, such as the Notes. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations generally applies to those tax-exempt obligations acquired after August 7, 1986. In the case of "qualified tax-exempt obligations", however, a denial of twenty percent (20%) of the deduction will apply in lieu of the denial of one hundred percent (100%). A "qualified tax-exempt obligation" is a tax-exempt obligation which is designated as such by the issuer and is not a private activity bond (other than a qualified 501(c)(3) bond). An issuer and all other entities that must be aggregated with it pursuant to the Code ("Other Issuers") may not designate or issue more than \$10,000,000 of tax-exempt obligations during any calendar year. The Township has designated the Notes as qualified tax-exempt obligations, and has represented to us that neither it nor any Other Issuers has issued or expects to issue more than \$10,000,000 of tax-exempt obligations (other than certain obligations not required to be taken into account under the Code) in the calendar year 2012. Based on such representations, it is our opinion that banks, thrift institutions and other financial institutions which purchase the Notes may deduct eighty

percent (80%) of their interest expense on indebtedness incurred to purchase or carry the Notes pursuant to Sections 265(b) and 291(e)(1)(B) of the Code. We express no opinion regarding other federal tax consequences relating to the Notes or the receipt of interest thereon.

6. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Notes, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, inheritance, succession or estate taxes or any other taxes not levied or assessed directly on the Notes or the interest thereon.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated _____, 2012, relating to the Notes.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

Saul Ewing LLP

APPENDIX C
Audited Financial Statement

UPPER MORELAND TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2010

UPPER MORELAND TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2010

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A P R O F E S S I O N A L C O R P O R A T I O N

Certified Public Accountants

936 Easton Road, PO Box 754, Warrington, PA 18976
(215) 343-2727 Fax (215) 343-8080

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Upper Moreland Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Moreland Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Upper Moreland Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper Moreland Township, Montgomery County, Pennsylvania, as of December 31, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 14 and the historical trend information on pages 53 through 55 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Moreland Township, Montgomery County, Pennsylvania basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

July 16, 2011

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

The preparation of a summary statement entitled "Management's Discussion and Analysis" is a required element of the reporting model adopted by the Governmental Accounting Standards Board. Its purpose is to provide an overview of the financial activities of Upper Moreland Township based upon currently known facts, or conditions. As management of Upper Moreland Township, we offer readers of the Township's financial statements this narrative overview of financial activities for the fiscal year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

Entity-wide Financial Statements (Full Accrual)

The assets of Upper Moreland Township exceeded its liabilities at the close of fiscal year 2010 by \$38.0 million (total net assets). Of this amount, \$5.0 million in unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Net assets decreased by \$1.4 million from the prior year.

Fund Financial Statements (Modified Accrual)

At December 31, 2010, the Township's governmental funds reported combined ending fund balances of \$5.2 million, a decrease of \$1.1 million in comparison with the prior year, which resulted primarily from decreases in the general fund and capital reserve fund balances.

During the year, the general fund had total revenues of \$16.2 million generated in tax and other revenues, compared with total expenditures of \$16.6 million, resulting in a deficit of \$400 thousand before transfers and other financing sources. After transfers and proceeds from the sale of fixed assets, there was a deficit of revenues over expenditures of \$545 thousand.

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

The financial statements are prepared in conformity with generally accepted accounting principles ("GAAP").

General fund expenditures came in \$151 thousand over the amended budget, and revenues exceeded the amended budget by \$204 thousand. In 2009, expenditures came in \$645 thousand under the amended budget, and revenues exceeded expectations by \$1 thousand.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 19. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?". The Statement of Net Assets and the Statement of Activities report information about Upper Moreland Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets and changes in them. The reader can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as the changes in the Township's property tax base and the condition of the Township's roads, to assess the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including administrative, licensing and permits, police and emergency services, public works, sanitation, culture and recreation, and debt service. Property taxes, franchise fees, business and mercantile taxes, licenses and permits, fines, and state and federal grants finance most of these activities.
- **Component Units, Governmental** - The Township includes two separate legal entities in its report - the Upper Moreland Free Public Library and the Willow Grove Fire Company Active Crew. Although legally separate, these "component units" are important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

The fund financial statements begin on page 18 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law. The Township's governmental funds use the following accounting approach.

- **Governmental Funds** - Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis accounting method. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliations on pages 19 and 21 behind the fund financial statements.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Infrastructure Assets

Effective January 1, 2003, the Township implemented all model portions of GASB Statement No. 34, including the reporting of infrastructure. Historically, a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the governmental column of the entity-wide statements. Additionally, the government must elect to either, (1) depreciate these assets over their estimated useful life or, (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Township has chosen to depreciate assets over their useful lives. If a road project is considered maintenance, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

THE TOWNSHIP AS A WHOLE

The Statement of Net Assets presents information on all of Upper Moreland Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Upper Moreland Township is improving or deteriorating.

The following table reflects the condensed statement of net assets:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>				
Current and other assets	\$ 6,721,838	\$ 38,825,888	\$ 311,702	\$ 377,847
Capital assets	<u>38,023,003</u>	<u>6,835,602</u>	<u>372,059</u>	<u>348,090</u>
Total Assets	<u>44,744,841</u>	<u>45,661,490</u>	<u>683,761</u>	<u>725,937</u>
<u>LIABILITIES</u>				
Long-term liabilities	6,122,363	6,760,798	-	-
Other liabilities	<u>1,296,779</u>	<u>1,194,742</u>	<u>48,693</u>	<u>106,165</u>
Total Liabilities	<u>7,419,142</u>	<u>7,955,540</u>	<u>48,693</u>	<u>106,165</u>

- Continued -

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

**Table 1 (Continued)
Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	31,902,026	31,819,146	372,059	348,090
Restricted	413,988	-	112,815	19,792
Unrestricted	<u>5,009,685</u>	<u>5,886,804</u>	<u>150,194</u>	<u>251,890</u>
Total Net Assets	<u>\$ 37,325,699</u>	<u>\$ 37,705,950</u>	<u>\$ 635,068</u>	<u>\$ 619,772</u>

The Township's combined net assets, which is the Township's bottom line, decreased to \$38.0 million from \$38.3 million. The Township's unrestricted net assets for governmental activities - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - were \$5.0 million.

The net assets of the component units, governmental type, increased to \$635 thousand in 2010 from \$620 thousand in 2009. The Library's net assets increased \$22 thousand while the Fire Company's net assets decreased \$7 thousand in 2010.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital - which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital - which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt, which will not change the invested in capital assets, net of debt.

Spending of Nonborrowed Current Assets on New Capital - which will, (a) reduce current assets and increase capital assets and, (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt - which will, (a) reduce current assets and reduce long-term debt and, (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and invested in capital assets, net of debt.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Current Year Impacts

The Statement of Activities on page 16 presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis of accounting. This accounting method records revenue and expenses as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The following chart shows the revenues and expenses of the governmental activities and component units:

Table 2
Changes in Net Assets

	Primary Government		<u>Component Units</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,461,963	\$ 2,398,958	\$ 47,811	\$ 28,578
Operating grants and contributions	1,220,358	1,035,644	159,816	235,091
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	5,228,034	5,300,054	-	592,360
Other taxes	8,007,060	8,100,545	-	-
Grants and contributions not restricted to specific programs	180,747	642,897	809,350	234,175
Investment income	33,044	174,363	3,387	6,783
Miscellaneous	556,278	528,854	8,670	51,668
Total Revenues	<u>17,687,484</u>	<u>18,181,315</u>	<u>1,029,034</u>	<u>1,148,655</u>
Expenses				
Administrative	6,382,475	3,367,079	-	-
Police and emergency services	5,752,907	7,209,075	219,984	150,213
Highway and roads	3,315,362	3,187,231	-	-
Sanitation	1,479,267	1,878,061	-	-
Culture and recreation	2,126,710	2,429,575	793,754	955,977
Total Expenses	<u>19,056,721</u>	<u>18,071,021</u>	<u>1,013,738</u>	<u>1,106,190</u>
Changes in Net Assets	(1,369,237)	110,294	15,296	42,465
Net Assets - Beginning	<u>38,694,936</u>	<u>37,595,656</u>	<u>619,772</u>	<u>577,307</u>
Net Assets - Ending	<u>\$ 37,325,699</u>	<u>\$ 37,705,950</u>	<u>\$ 635,068</u>	<u>\$ 619,772</u>

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Normal Impacts

There are eight basic impacts on revenues and expenses as reflected below:

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and has a substantial impact on property, business, mercantile or other tax revenue, as well as public spending habits for building permits and elective user fees.

Increase/Decrease in Township-Approved Rates - while certain tax rates are set by statute, the Township Board of Commissioners has significant authority to impose and periodically increase/decrease rates (real estate tax millage, sewer fees, building fees, user fees. etc.).

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring) - certain recurring revenues (state-shared revenues, block grant etc.) may experience significant changes periodically, while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income - the Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

Expenses

Introduction of New Programs - within the functional expense categories (Public Safety, Public Works, Refuse, etc.), individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel - changes in service demand may cause the Township Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent a significant percentage of the Township's program expenses.

Salary Increases (annual adjustments and merit) - the ability to attract and retain human resources requires the Township to strive to approach a competitive salary and range position in the marketplace.

Inflation - while overall inflation appears to be reasonably modest, the Township is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity-specific increases.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Current Year Impacts

Governmental Activities

Sources of revenues for the fiscal year 2010 are comprised of the following items:

Governmental Activities – Revenues by Source
For the Year Ended December 31, 2010

Revenues	<u>2010</u>	<u>% of Total Revenues</u>
Program revenues:		
Charges for services	\$ 2,461,963	13.9
Operating grants and contributions	1,220,358	6.9
Capital grants and contributions	-	-
General revenues:		
Property taxes	5,228,034	29.6
Other taxes	8,007,060	45.3
Grants and contributions not restricted to specific programs	180,747	1.0
Investment income	33,044	0.2
Miscellaneous	556,278	3.1
Total Revenues	<u>\$ 17,687,484</u>	<u>100.0</u>

The greatest portion of revenue was generated from other taxes at \$8.0 million (45.3 percent), which included several large tax sources such as earned income tax at \$3.0 million and business privilege tax at \$4.7 million. The next largest source of revenue was property taxes at \$5.2 million (29.6 percent) and the charges for services at \$2.5 million (13.9 percent). Together, these three areas approximate 89.0 percent of the Township's revenue base.

Governmental revenues contracted in 2010 by \$494 thousand which was a reflection of the difficult housing market and economic conditions.

On the expenditure side, the total cost of all programs and services was \$19.1 million in 2010. As the table below indicates, the largest program expense was for administration totaling \$6.4 million (33.5 percent). The second largest program expense was for police and emergency services totaling \$5.8 million (30.2 percent). Public Works was the third largest expense for the Township at \$3.3 million (17.4 percent). In 2010, administrative expenses were \$6.4 million compared with \$3.4 million, in 2009 and police and emergency services were \$5.8 million, in 2010, compared with \$7.2 million, in 2009. These variances were the result of a shift in the way employee benefits were categorized rather than a change in functional expenditures.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Governmental Activities – Expenses by Function
For the Year Ended December 31, 2010

	<u>2010</u>	<u>% of Total Expenses</u>
Expenses		
Administrative	\$ 6,382,475	33.5
Police and emergency services	5,752,907	30.1
Highways and roads	3,315,362	17.4
Sanitation	1,479,267	7.8
Culture and recreation	<u>2,126,710</u>	<u>11.2</u>
Total Expenses	<u>\$ 19,056,721</u>	<u>100.0</u>

The following schedule compares the total cost and net cost of services by functional category:

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Expenses				
Administrative	\$ 6,382,475	\$ 3,367,079	\$ (5,803,166)	\$ (2,982,598)
Police and emergency services	5,752,907	7,209,075	(4,826,940)	(6,363,979)
Highways and roads	3,315,362	3,187,231	(2,810,651)	(2,659,122)
Sanitation	1,479,267	1,878,061	(117,259)	(511,773)
Culture and recreation	<u>2,126,710</u>	<u>2,429,575</u>	<u>(1,816,384)</u>	<u>(2,118,947)</u>
Total Expenses	<u>\$ 19,056,721</u>	<u>\$ 18,071,021</u>	<u>\$ (15,374,400)</u>	<u>\$ (14,636,419)</u>

General Fund Budgetary Highlights

The government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed the General Fund expenditures to come in slightly over budget by \$151 thousand. This over budget amount was mainly the result of expenses in public safety being more than anticipated. Revenues were \$204 thousand over budget. The schedule on page 22 presents the Township's budget figures and actual figures maintained on the cash basis of accounting.

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the Township had \$38.0 million invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, bridges and sewer lines. (See Table 4 below.)

The following reconciliation summarizes the change in capital assets, which is presented in detail in the notes to the financial statements.

Table 4
Change in Capital Assets - Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Total capital assets, not being depreciated	<u>4,019,797</u>	<u>-</u>	<u>-</u>	<u>4,019,797</u>
Capital assets, being depreciated:				
Buildings and improvements	3,442,253	-	-	3,442,253
Machinery, vehicles and equipment	8,524,995	252,556	(627,451)	8,150,100
Infrastructure	44,667,525	263,047	-	44,930,572
Total capital assets being depreciated	<u>56,634,773</u>	<u>515,603</u>	<u>(627,451)</u>	<u>56,522,925</u>
Less accumulated depreciation for:				
Buildings and improvements	1,582,454	69,614	-	1,652,068
Machinery, vehicles and equipment	5,798,091	417,624	(548,399)	5,667,316
Infrastructure	14,448,137	752,198	-	15,200,335
Total accumulated depreciation	<u>21,828,682</u>	<u>1,239,436</u>	<u>(548,399)</u>	<u>22,519,719</u>
Total capital assets, being depreciated, net	<u>34,806,091</u>	<u>(723,833)</u>	<u>(79,052)</u>	<u>34,003,206</u>
Governmental-type activities capital assets, net	<u>\$ 38,825,888</u>	<u>\$ (723,833)</u>	<u>\$ (79,052)</u>	<u>\$ 38,023,003</u>

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Table 5
Change in Capital Assets
Upper Moreland Free Public Library

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 600,278	\$ 15,961	\$ 67,515	\$ 548,724
Collection	1,487,146	79,835	-	1,566,981
Total capital assets being depreciated	<u>2,087,424</u>	<u>95,796</u>	<u>67,515</u>	<u>2,115,705</u>
Less accumulated depreciation for:				
Furniture and equipment	538,321	17,966	67,515	488,772
Collection	1,201,013	53,861	-	1,254,874
Total accumulated depreciation	<u>1,739,334</u>	<u>71,827</u>	<u>67,515</u>	<u>1,743,646</u>
Total capital assets, being depreciated, net	<u>\$ 348,090</u>	<u>\$ 23,969</u>	<u>\$ -</u>	<u>\$ 372,059</u>

Debt

At year end, the Township had \$7.0 million in bonds and notes outstanding versus \$7.6 million last year.

Table 6
Outstanding Debt at Year-End

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bonds payable	\$ 6,570,000	\$ -	\$ (780,000)	\$ 5,790,000
Less deferred amount:				
For issuance discounts	(6,125)	-	1,224	(4,901)
Add gain on refunding	33,479	-	(6,696)	26,783
Add bond premium	66,129	-	(9,447)	56,682
Total bonds payable	<u>6,663,483</u>	<u>-</u>	<u>(794,919)</u>	<u>5,868,564</u>
Notes payable	436,742	-	(100,864)	335,878
OPEB liability	231,826	300,238	-	532,064
Compensated absences	<u>303,486</u>	<u>3,866</u>	<u>-</u>	<u>307,352</u>
Governmental activity				
Long-term liabilities	<u>\$ 7,635,537</u>	<u>\$ 304,104</u>	<u>\$ (895,783)</u>	<u>\$ 7,043,858</u>

UPPER MORELAND TOWNSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During 2011, revenue from earned income tax will continue to be flat as employment levels in the Township remain stable or possibly decrease. Declining real estate values and the credit crisis also will negatively impact deed transfer taxes and slow development projects. Revenue plus a transfer from reserves will not be sufficient to fund all Township departments and programs in 2011. A real estate tax increase of 13.6% will be needed.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at Upper Moreland Township, 117 Park Avenue, Willow Grove, PA 19090.

UPPER MORELAND TOWNSHIP

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental</u>		<u>Public Library</u>	<u>Fire Company</u>
	<u>Activities</u>			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,902,181	\$ 141,055	\$ 91,513	
Investments	960,000	79,134	-	
Accounts and other receivables	1,624,672	-	-	
Due from other governments	37,396	-	-	
Capital assets not being depreciated:				
Land	4,019,797	-	-	
Other capital assets (net of accumulated depreciation)	34,003,206	372,059	-	
Net pension asset	108,743	-	-	
Deferred charges	88,846	-	-	
Total Assets	<u>44,744,841</u>	<u>592,248</u>	<u>91,513</u>	
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	302,915	9,712	-	
Accrued interest payable	65,949	-	-	
Unearned revenue	6,420	38,981	-	
Non-current liabilities:				
Due within one year	921,495	-	-	
Due after one year	6,122,363	-	-	
Total Liabilities	<u>7,419,142</u>	<u>48,693</u>	<u>-</u>	
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	31,902,026	372,059	-	
Restricted for:				
Debt service	10,557	-	-	
Capital projects	102,100	-	-	
Highways and streets	228,668	-	-	
Public safety	7,058	-	-	
Open space	65,605	-	-	
Culture and recreation	-	21,302	-	
Fire Company Active Crew	-	-	91,513	
Unrestricted	5,009,685	150,194	-	
Total Net Assets	<u>\$ 37,325,699</u>	<u>\$ 543,555</u>	<u>\$ 91,513</u>	

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General	Debt Service	Capital Reserve	Bond Issue	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 3,279,811	\$ 19,826	\$ 152,758	\$ 119,447	\$ 330,339	\$ 3,902,181
Investments	960,000	-	-	-	-	960,000
Receivables	602,301	20,248	-	153,200	-	775,749
Due from other governments	-	37,396	-	-	-	37,396
Due from other funds	170,642	-	-	-	22,000	192,642
Total Assets	\$ 5,012,754	\$ 77,470	\$ 152,758	\$ 272,647	\$ 352,339	\$ 5,867,968
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable and accrued wages	\$ 302,915	\$ -	\$ -	\$ -	\$ -	\$ 302,915
Due to other funds	22,000	-	95	170,547	-	192,642
Deferred revenue	87,552	66,913	-	-	-	154,465
Total Liabilities	412,467	66,913	95	170,547	-	650,022
Fund Balances						
Reserved for:						
Public safety	7,058	-	-	-	-	7,058
Open space	65,605	-	-	-	-	65,605
Board designated						
Train station study	15,000	-	-	-	-	15,000
Unreserved, reported in:						
General fund	4,512,624	10,557	-	-	-	4,523,181
Debt service fund	-	-	-	-	-	-
Special revenue funds	-	-	-	-	228,668	228,668
Capital project funds	-	-	152,663	102,100	123,671	378,434
Total Fund Balances	4,600,287	10,557	152,663	102,100	352,339	5,217,946
 TOTAL LIABILITIES AND FUND BALANCES	\$ 5,012,754	\$ 77,470	\$ 152,758	\$ 272,647	\$ 352,339	\$ 5,867,968

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

For the Year Ended December 31, 2010

Amounts reported for governmental activities in the statement of net assets (page 15) are different because:

Total fund balances--total governmental funds (page 18) \$ 5,217,946

Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.

Cost of capital assets	\$ 60,542,722	
Accumulated depreciation	<u>(22,519,719)</u>	38,023,003

Assets in the statement of net assets that do not provide current financial resources are not reported as assets in the governmental funds. 108,743

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. 996,968

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. This amount is the net effect of the treatment of long-term debt and related items.

Bond discount	4,901	
Bond issuance costs	88,846	
Bond premium	(56,682)	
Deferred charges on refunding	<u>(26,783)</u>	10,282

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(5,790,000)	
Notes payable	(335,878)	
Interest payable	(65,949)	
Post-employment benefits	(532,064)	
Compensated absences	<u>(307,352)</u>	<u>(7,031,243)</u>

Net Assets of Governmental Activities (page 15) \$ 37,325,699

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010

	General	Debt Service	Capital Reserve	Bond Issue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Real estate	\$ 4,300,061	\$ 970,708	\$ -	\$ -	\$ -	\$ 5,270,769
Transfer	245,022	-	-	-	-	245,022
Earned income and occupational	3,037,721	-	-	-	-	3,037,721
Business and mercantile	4,750,014	-	-	-	-	4,750,014
Fees, licenses and permits	518,777	-	-	-	-	518,777
Investment income and rent	29,646	2,428	219	430	321	33,044
Intergovernmental revenues	750,908	-	-	153,200	494,492	1,398,600
Fines and forfeitures	263,016	-	-	-	-	263,016
Charges for services	2,141,635	-	-	-	-	2,141,635
Other	117,036	9,941	-	-	-	126,977
Total Revenues	16,153,836	983,077	219	153,630	494,813	17,785,575
Expenditures						
Current:						
General government	1,769,344	-	-	-	-	1,769,344
Public safety	5,404,217	-	-	-	-	5,404,217
Sanitation	1,407,260	-	-	-	-	1,407,260
Highways and roads	1,866,216	-	-	-	553,363	2,419,579
Culture and recreation	1,825,840	-	-	-	-	1,825,840
Miscellaneous	4,314,509	-	-	-	-	4,314,509
Debt service:						
Principal	-	881,453	-	-	-	881,453
Interest	-	245,698	-	-	-	245,698
Fiscal agent fees	-	1,308	-	-	-	1,308
Capital projects	-	-	264,470	375,844	-	640,314
Total Expenditures	16,587,386	1,128,459	264,470	375,844	553,363	18,909,522
Excess (Deficiency) of Revenues Over Expenditures	(433,550)	(145,382)	(264,251)	(222,214)	(58,550)	(1,123,947)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	49,393	-	-	-	-	49,393
Operating transfers in	-	138,626	-	-	22,000	160,626
Operating transfers out	(160,626)	-	-	-	-	(160,626)
Total Other Financing Sources (Uses)	(111,233)	138,626	-	-	22,000	49,393
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	(544,783)	(6,756)	(264,251)	(222,214)	(36,550)	(1,074,554)
Total Fund Balance - Beginning	5,145,070	17,313	416,914	324,314	388,889	6,292,500
Total Fund Balance - Ending	\$ 4,600,287	\$ 10,557	\$ 152,663	\$ 102,100	\$ 352,339	\$ 5,217,946

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

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

For the Year Ended December 31, 2010

Amounts reported for governmental activities in the statement of activities (pages 16-17)
are different because:

Net change in fund balances--total governmental funds (page 20) \$ (1,074,554)

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 and reported as depreciation expense.

Capital outlay	515,603	
Depreciation expense	<u>(1,239,436)</u>	(723,833)

The effect of sales of capital assets is to decrease net assets. (79,052)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (74,055)

The issuance of long-term debt (e.g. bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets. Also,
governmental funds report the effect of issuance costs, premiums, discounts,
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. This amount is the
net effect of these differences in the treatment of long-term debt and
related items.

Repayment of bonds	780,000	
Repayment of notes	100,864	
Bonds issuance costs amortization	(16,249)	
Gain on refunding amortization	6,696	
Bond discount amortization	(1,224)	
Bond premium amortization	9,447	
Interest expense	<u>6,827</u>	886,361

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 governmental funds.

Compensated absences	(3,866)	
Post-employment benefits	<u>(300,238)</u>	<u>(304,104)</u>

Change in Net Assets of Governmental Activities (page 16) \$ (1,369,237)

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended December 31, 2010

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes				
Real estate	\$ 4,291,763	\$ 4,291,763	\$ 4,300,061	\$ 8,298
Transfer	324,000	324,000	245,022	(78,978)
Earned income and occupational	3,080,000	3,080,000	3,037,721	(42,279)
Business and mercantile	4,740,000	4,740,000	4,750,014	10,014
Fees, licenses and permits	447,500	447,500	518,777	71,277
Investment income and rent	75,000	75,000	29,646	(45,354)
Intergovernmental revenues	546,150	546,150	750,908	204,758
Fines and forfeitures	268,000	268,000	263,016	(4,984)
Charges for services	2,079,000	2,079,000	2,141,635	62,635
Other	98,600	98,600	117,036	18,436
Total Revenues	<u>15,950,013</u>	<u>15,950,013</u>	<u>16,153,836</u>	<u>203,823</u>
Expenditures				
Current:				
General government	1,936,923	1,936,923	1,769,344	(167,579)
Public safety	5,198,694	5,198,694	5,404,217	205,523
Sanitation	1,389,500	1,389,500	1,407,260	17,760
Highways and roads	1,865,361	1,865,361	1,866,216	855
Culture and recreation	1,832,681	1,832,681	1,825,840	(6,841)
Miscellaneous	4,213,083	4,213,083	4,314,509	101,426
Total Expenditures	<u>16,436,242</u>	<u>16,436,242</u>	<u>16,587,386</u>	<u>151,144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(486,229)</u>	<u>(486,229)</u>	<u>(433,550)</u>	<u>52,679</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	49,393	49,393
Operating transfers out	(138,626)	(138,626)	(160,626)	(22,000)
Total Other Financing Sources (Uses)	<u>(138,626)</u>	<u>(138,626)</u>	<u>(111,233)</u>	<u>27,393</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	<u>(624,855)</u>	<u>(624,855)</u>	<u>(544,783)</u>	<u>80,072</u>
Fund Balance - Beginning	<u>624,855</u>	<u>624,855</u>	<u>5,145,070</u>	<u>4,520,215</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,600,287</u>	<u>\$ 4,600,287</u>

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

December 31, 2010

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 581,350	\$ 165,576	\$ 746,926
Receivables	-	27,000	27,000
Investments, at fair value			
Assets with PMRS	13,155,198	-	13,155,198
Mutual Funds	16,316,276	-	16,316,276
Total Current Assets	<u>\$ 30,052,824</u>	<u>\$ 192,576</u>	<u>\$ 30,245,400</u>
 <u>LIABILITIES</u>			
Escrows payable	<u>\$ -</u>	<u>\$ 192,576</u>	<u>\$ 192,576</u>
 <u>NET ASSETS</u>			
Net assets held in trust for pension benefits	<u>\$ 30,052,824</u>	<u>\$ -</u>	<u>\$ 30,052,824</u>

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

For the Year Ended December 31, 2010

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 426,566
Employee	330,818
State allocation	<u>504,635</u>
Total Contributions	<u>1,262,019</u>
Investment Income	
Net appreciation (depreciation) in fair value of investments	1,656,445
Dividends	287,357
Interest	<u>772,655</u>
Total Investment Earnings	<u>2,716,457</u>
Total Additions	<u>3,978,476</u>
Deductions	
Miscellaneous expenses	61,562
Insurance premiums	1,535
Return of contributions	23,507
Benefits	<u>1,789,448</u>
Total Deductions	<u>1,876,052</u>
Net Increase	2,102,424
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	<u>27,950,400</u>
End of Year	<u>\$ 30,052,824</u>

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

STATEMENT OF ASSETS AND LIABILITIES
- AGENCY FUNDS

December 31, 2010

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2010</u>
<u>ESCROW FUND</u>				
ASSETS				
Cash	\$ 1,257,111	\$ 180,265	\$ (1,271,800)	\$ 165,576
Receivables	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Total	<u>\$ 1,257,111</u>	<u>\$ 207,265</u>	<u>\$ (1,271,800)</u>	<u>\$ 192,576</u>
LIABILITIES				
Escrow Payable	<u>\$ 1,257,111</u>	<u>\$ 207,265</u>	<u>\$ (1,271,800)</u>	<u>\$ 192,576</u>

The notes to the financial statements are an integral part of this statement.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies

A. *Reporting entity*

Upper Moreland Township is a municipal corporation existing and operating under the First Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the government and certain component units, entities for which the government is considered to be financially accountable. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. Based upon the application of these criteria, the following is an analysis of the potential component units addressed in defining the Township's reporting entity.

Discretely presented component units. The following are component units of the Township of Upper Moreland as the Township has the responsibility for funding deficits; and handles the fiscal management of tax levied on the Fire Company's and the Library's behalf. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Willow Grove Volunteer Fire Co. Active Crew
Upper Moreland Free Public Library

Complete financial statements for the individual component unit may be obtained at the entity's administrative offices as follows: Willow Grove Fire Co. Active Crew, 227 Davisville Road, Willow Grove, PA; Upper Moreland Free Public Library, 109 Park Avenue, Willow Grove, PA.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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*, if any, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, 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 is the 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 revenue as soon as all eligibility requirements imposed by the provider 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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest 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 government.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*
(continued)

The government reports the following major governmental funds:

The *General Fund* is the government'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 *Debt Service Fund* accounts for principal and interest debt payments.

The *Capital Reserve Fund* accounts for the financial resources to be used for acquisition, construction or improvement of major capital facilities for general government purposes.

The *Bond Issue Fund* accounts for the proceeds from the 2008 general obligation bond to be used for specific capital projects.

Additionally, the government reports the following fiduciary fund types:

The *Pension Trust Fund* accounts for the activities of the Police, Fire and Municipal Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities or enterprise funds, if any, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

***C. Measurement focus, basis of accounting, and financial statement presentation
(continued)***

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary types distinguish *operating* revenues and expenses from *non-operating* 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.

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

D. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

1. Deposits and investments (continued)

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of

Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area saving's accounts rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

2. *Receivables and payables* (continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2010, all trade receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed February 1 and payable under the following terms: a 2% discount February 1 through April 1; face amount April 2 through June 1; and a 10% penalty after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed. The Township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid a salary.

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	45
Roads and bridges	75
Storm sewers	100
Lighting	20
Trucks, vehicles and heavy equipment	5-25
Library books	12
Library media	10

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

I. Summary of significant accounting policies (Continued)

4. *Compensated absences*

The Township allows employees to carry over sick pay up until retirement. However, employees cannot collect accumulated sick pay at retirement. Vacation pay can be carried over as well, and is compensated for at retirement. As such, a liability for compensated absences has been included in the government-wide financial statements for vacation pay only.

5. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. *Long-term obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All appropriations lapse at year end.

During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. 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. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Commissioners. At year end, the Board passes a resolution to move underexpended funds to overexpended categories. The budgetary information in these financial statements includes these amendments.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

B. *Excess of expenditures over appropriations*

For the year ended December 31, 2010, expenditures exceeded appropriations in various categories of the general fund, by \$151,144 of total expenditures. These overexpenditures were funded by greater than anticipated revenues.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk – Deposits. The risk that in the event of a bank failure, the government’s deposits may not be returned or the government will not be able to recover collateral securities in the possession of an outside party. The government does not have a policy for custodial credit risk. At year-end, the government’s carrying amount of deposits was \$3,902,181 and the bank balance was \$3,962,254. Of the bank balance, \$250,000 was covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the government’s name. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72, as amended, the depositories may meet this collateralization by pooling appropriate securities to cover all public funds.

The Township has deposits of \$2,475,348 in an external investment pool. These deposits are considered cash equivalents because of their short maturity dates and are included in the deposits figure above.

At year-end, the investments balances were as follows:

	<u>Maturity Dates</u>	<u>Fair Value</u>
GOVERNMENTAL FUNDS		
Certificates of Deposits	2011	\$ 960,000
Externally Pooled Investments	2011	<u>2,475,348</u>
Total Governmental Funds		<u>\$ 3,435,348</u>
FIDUCIARY FUNDS		
Cash	---	\$ 746,926
Mutual Funds - Fixed Taxable	---	2,799,956
Mutual Funds - Equity	---	11,956,811
Mutual Funds - International Equity	---	1,559,509
PMRS	---	<u>13,155,198</u>
Total Fiduciary Funds		<u>\$ 30,218,400</u>

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, E, 1.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The government's investment policy includes a balancing provision to address this type of risk.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note I,E,1. The government's investment in the external investment pools was rated AAAM by Standard & Poor's.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments that exceeded 5% of the total investments reported in the governmental or fiduciary funds that would be considered a concentration of credit risk.

Discretely presented component units

Component Unit – Library: At year end, the carrying amount of deposits for the discretely presented component unit, was \$141,055 and the bank balances was \$146,982. Investments consisted of two certificates of deposit totaling \$79,134. Of the bank balances, all were covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the government's name. The Library does not have a policy for custodial credit risk.

Component Unit – Fire Company: At year end, the carrying amount of deposits for the discretely presented component unit, was \$67,266 and the bank balances was \$96,294. Of the bank balance, all was covered by federal depository insurance. Any balances exceeding federal depository insurance are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the government's name. The Library does not have a policy for custodial credit risk.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds (Continued)

B. Receivables

Receivables as of year end for the government's individual major funds and non major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Bond Issue</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 375,249	\$ 20,248	\$ -	\$ -	\$ 395,497
Accounts	<u>227,052</u>	<u>-</u>	<u>153,200</u>	<u>27,000</u>	<u>407,252</u>
Total Receivables	<u>\$ 602,301</u>	<u>\$ 20,248</u>	<u>\$ 153,200</u>	<u>\$ 27,000</u>	<u>\$ 802,749</u>

C. Capital assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 4,019,797	\$ -	\$ -	\$ 4,019,797
Total capital assets, not being depreciated	<u>4,019,797</u>	<u>-</u>	<u>-</u>	<u>4,019,797</u>
Capital assets, being depreciated:				
Buildings and improvements	3,442,253	-	-	3,442,253
Machinery, vehicles and equipment	8,524,995	252,556	(627,451)	8,150,100
Infrastructure	<u>44,667,525</u>	<u>263,047</u>	<u>-</u>	<u>44,930,572</u>
Total capital assets being depreciated	<u>56,634,773</u>	<u>515,603</u>	<u>(627,451)</u>	<u>56,522,925</u>
Less accumulated depreciation for:				
Buildings and improvements	1,582,454	69,614	-	1,652,068
Machinery, vehicles and equipment	5,798,091	417,624	(548,399)	5,667,316
Infrastructure	<u>14,448,137</u>	<u>752,198</u>	<u>-</u>	<u>15,200,335</u>
Total accumulated depreciation	<u>21,828,682</u>	<u>1,239,436</u>	<u>(548,399)</u>	<u>22,519,719</u>
Total capital assets, being depreciated, net	<u>34,806,091</u>	<u>(723,833)</u>	<u>(79,052)</u>	<u>34,003,206</u>
Governmental-type activities capital assets, net	<u>\$ 38,825,888</u>	<u>\$ (723,833)</u>	<u>\$ (79,052)</u>	<u>\$ 38,023,003</u>

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds (Continued)

C. Capital assets (continued)

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

Depreciation Expense	
Governmental activities:	
General government	\$ 23,011
Public safety	140,738
Highway and roads	790,713
Sanitation	36,158
Culture and recreation	248,816
	<u>\$ 1,239,436</u>

Discretely presented component units

Upper Moreland Free Public Library for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 600,278	\$ 15,961	\$ 67,515	\$ 548,724
Collection	1,487,146	79,835	-	1,566,981
Total capital assets being depreciated	2,087,424	95,796	67,515	2,115,705
Less accumulated depreciation for:				
Furniture and equipment	538,321	17,966	67,515	488,772
Collection	1,201,013	53,861	-	1,254,874
Total accumulated depreciation	1,739,334	71,827	67,515	1,743,646
Total capital assets, being depreciated, net	\$ 348,090	\$ 23,969	\$ -	\$ 372,059

D. Interfund receivables, payables, and transfers

At December 31, 2010, the Township had the following interfund activity.

Interfund balances:

	Due From	Due To
General Fund	\$ 170,642	\$ 22,000
Capital Reserve	-	95
Bond Series	-	170,547
Non-Major Funds	22,000	-
	\$ 192,642	\$ 192,642

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers (Continued)

Interfund transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 160,626	\$ -
Debt Service	-	138,626
Non-Major Funds	-	22,000
	<u>\$ 160,626</u>	<u>\$ 160,626</u>

The interfund balances and transfers are a result of various funds sharing the cost of capital project expense. Additionally, funds which actually pay expenditures are reimbursed by the fund incurring the expense in accordance with budgetary authorizations.

E. Leases

Operating Leases - The government leases many pieces of office equipment under noncancelable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

F. Long-term debt

General obligation bonds and notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$10,320,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 15-20 year serial bonds with varying amounts of principal maturing each year.

General obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0 to 7.2%	<u>\$ 6,125,878</u>

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

III. Detailed notes on all funds (Continued)

General obligation bonds and notes

Annual debt service requirements to maturity are as follows:

Year	General Obligation Bonds		General Obligation Notes		Total Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 815,000	\$ 201,062	\$ 106,495	\$ 10,090	\$ 921,495	\$ 211,152
2012	845,000	168,637	111,828	4,948	956,828	173,585
2013	980,000	133,987	17,167	2,193	997,167	136,180
2014	1,015,000	103,513	14,842	1,889	1,029,842	105,402
2015	1,050,000	71,540	11,621	1,587	1,061,621	73,127
2016-2020	1,085,000	36,890	53,093	4,827	1,138,093	41,717
2021-2022	-	-	20,832	402	20,832	402
	<u>\$ 5,790,000</u>	<u>\$ 715,629</u>	<u>\$ 335,878</u>	<u>\$ 25,936</u>	<u>\$ 6,125,878</u>	<u>\$ 741,565</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Governmental activities:					
Bonds payable	\$ 6,570,000	\$ -	\$ (780,000)	\$ 5,790,000	\$ 815,000
Less deferred amount:					
For issuance discounts	(6,125)	-	1,224	(4,901)	-
Add gain on refunding	33,479	-	(6,696)	26,783	-
Add bond premium	66,129	-	(9,447)	56,682	-
Total bonds payable	6,663,483	-	(794,919)	5,868,564	815,000
Notes payable	436,742	-	(100,864)	335,878	106,495
OPEB liability	231,826	300,238	-	532,064	-
Compensated absences	303,486	3,866	-	307,352	-
Governmental activity					
Long-term liabilities	<u>\$ 7,635,537</u>	<u>\$ 304,104</u>	<u>\$ (895,783)</u>	<u>\$ 7,043,858</u>	<u>\$ 921,495</u>

IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

A. Risk management (Continued)

The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2010 was \$194,115. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2010 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which the Township's share was \$47,895.

The Township is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The insurance expense for the year ended December 31, 2010 was \$338,377. The Trust declared a dividend in 2010. Upper Moreland Township's share of the dividend distribution was \$40,785. The Township paid a sum of \$4,095 as a result of the payroll audit of 2009 coverage year. At December 31, 2010, there were no additional assessments due or anticipated. Instead, an audit of the reported 2010 payroll will be performed during the first quarter of 2011.

B. Contingent liabilities

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

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans

Defined Benefit Pension Plan

The Township sponsors three single employer defined benefit pension plans, the Non-Uniform Pension Plan, Municipal Firefighters and the Police Pension Plan. All full time police, firefighters and non-uniform employees participate in the plans. None of the plans prepares individual stand-alone financial statements. The most recent valuation was as of January 1, 2009 whose details are discussed below.

Plan Description

Upper Moreland Township sponsors a public employee retirement system (PERS) to provide pension benefits for employees of the Township.

At January 1, 2009, Upper Moreland Township Pension Plan consisted of the following:

	Non- <u>Uniform</u>	<u>Firefighters</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	29	0	25
Terminated employees entitled to benefits but not yet receiving them	6	0	1
Active employees	<u>76</u>	<u>5</u>	<u>37</u>
	<u>111</u>	<u>5</u>	<u>63</u>

Description of Non-Uniform Pension Plan

The Pension Plan provides retirement, death and disability benefits to plan members and their beneficiaries. A member is 100% vested after 8 years of service. Employees can retire at age 60 with 8 years of credited service, or elect early retirement with 12 years of credited service. Retirement benefit, payable monthly for life, is equal to 2.5% times the final average salary but in no event is the basic benefit greater than 60% of the final average salary. Final average salary is based upon the highest 3 years annualized salary.

Covered employees are required to contribute 3.5% of their salary to the Pension Fund. At retirement, a member may select a survivor benefit. If eligible to retire at the time of death, the beneficiary receives the present value of accrued benefits. A 50% service related disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. This benefit is offset by workers compensation benefit. A 30% non-service related disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Description of Non-Uniform Pension Plan (Continued)

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report

Description of Firefighters Pension Plan

The Pension Plan provides retirement, death and disability benefits to plan members and their beneficiaries. A member is 100% vested after 8 years of service. Employees can retire at age 55 with 8 years of credited service, or elect early retirement with 12 years of credited service. Retirement benefit, payable monthly for life, is equal to 2.5% times the final average salary but in no event is the basic benefit greater than 60% of the final average salary. Final average salary is based upon the highest 3 years annualized salary.

Covered employees are required to contribute 3.5% of their salary to the Pension Fund. At retirement, a member may select a survivor benefit. If eligible to retire at the time of death, the beneficiary receives the present value of accrued benefits. A 50% service related disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. This benefit is offset by workers compensation benefit. A 30% non-service related disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The plan does not issue a stand-alone financial report

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Description of the Police Pension Plan

The Pension Fund provides retirement benefits as well as death and disability benefits to full-time sworn police employees working at least 40 hours per week. All full-time members of the police force join the Plan on their date of hire. 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 monthly retirement benefit, payable for life, in an amount equal to 50% of their average eligible monthly compensation received during the last 36 months of employment plus a service increment of \$50 per month for each year of service in excess of 25 years, but not more than \$100 additional. A disability pension is available to participants disabled in the line of duty. The disability pension is equal to 100% of the final average compensation offset by social security and workers compensation benefits. Upon attaining age 65 benefits shall be adjusted to 50% of the final average compensation. The Plan also provides certain death benefits to the surviving spouse and/or dependents. The amount of these benefits is a 50% survivor annuity to the spouse and an additional 10% per child up to the age of 18. This benefit applies to retirees, vestees and disabilitants. If killed in service, the benefit is 100% of salary per Act 30.

The Authority under which obligations to contribute to the Police Pension Plan by the plan members, employer and other contributing entities are established or may be amended includes Act 600 and Act 205 of the Commonwealth of Pennsylvania and Township Ordinances.

Covered employees are required to contribute up to a maximum of 5.0% of their salary to the Pension Fund. Contributions are made only if required to maintain the solvency of the pension fund. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

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

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans (Continued)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Method Used to Value Investments: Pension Plan equity securities are reported at market value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Funding Policy:

Non-Uniform Pension Plan: For 2010, 3.5% member contributions were required. The Non-Uniform Pension Plan is funded by contributions from participants, the Township, and annual entitlements received from the Commonwealth of Pennsylvania.

Firefighters Pension Plan: For 2010, 3.5% member contributions were required. The Firefighters Pension Plan is funded by contributions from participants, the Township, and annual entitlements received from the Commonwealth of Pennsylvania.

Police Pension Plan: As a condition of participation, each member may contribute to the Plan up to 5% of earnings. For 2010, there were no member contributions. If an actuarial study shows that the condition of the Plan is such that payments may be reduced below the minimum percentages, or eliminated, the Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Pension Plan by participants. The Police Pension Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township.

Contributions Required and Contributions Made

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2009, the most recent actuarial valuation date:

	Valuation Date	Actuarial Value of Net Assets	Accrued Actuarial Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability as a Percentage of Payroll
Nonuniform	1/1/2009	\$ 15,226,948	\$ 14,899,189	102.20%	\$ (327,759)	\$ 4,317,883	-7.59%
Fire	1/1/2009	902,929	842,807	107.13%	(60,122)	355,271	-16.92%
Police	1/1/2009	15,009,495	21,970,691	68.32%	6,961,196	2,231,008	312.02%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Annual Pension Cost and Net Pension Obligation

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	Non-Uniform	Firefighters	Police
Annual required contribution	\$ 297,001	\$ 68,665	\$ 565,515
Interest on net pension obligation	(7,582)	(251)	1,294
Adjustments to annual required contribution	13,602	449	(1,889)
Annual pension cost	303,021	68,863	564,920
Contributions made	(297,001)	(68,665)	(565,515)
Increase (decrease) in net pension obligation	6,020	198	(595)
Net pension obligation (asset) at beginning of year	(126,359)	(4,175)	16,168
Net pension obligation (asset) at end of year	\$ (120,339)	\$ (3,977)	\$ 15,573

The annual required contribution for the current year was determined using the following assumptions:

	Non-Uniform	Firefighters	Police
Date of actuarial valuation	1/1/2009	1/1/2009	1/1/2009
Investment rate of return	6.0%	6.0%	8.0%
Projected salary increases due to inflation	5.2%	5.2%	6.0%
Cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar - Closed	Level Dollar - Closed	Level Dollar - Closed
Amortization period	14.33	13.99	15

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Three Year Trend Information

NON-UNIFORM

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2008	\$ 232,907	97.2%	\$ (132,681)
12/31/2009	281,815	97.8%	(126,359)
12/31/2010	303,021	98.0%	(120,339)

FIREFIGHTERS

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2008	\$ 49,043	99.6%	\$ (4,384)
12/31/2009	61,505	99.7%	(4,175)
12/31/2010	68,863	99.7%	(3,977)

POLICE

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2008	\$ 350,389	100.2%	\$ 16,786
12/31/2009	623,106	100.1%	16,168
12/31/2010	564,920	100.1%	15,573

D. Other Postemployment Benefits (OPEB)

Plan Description

The Township of Upper Moreland Other Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Township Supervisors. The Plan was established through contracts negotiated by Township Supervisors. The Plan provides post-employment healthcare benefits to eligible retirees of the primary government in accordance with, and may be amended by, the various labor contracts and personnel policies. At December 31, 2010, six retired employees were eligible to participate in receiving medical benefits. The Plan did not issue a stand-alone report.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

D. Other Postemployment Benefits (Continued)

At January 1, 2008, Upper Moreland Township Post-employment Benefit Plan consisted of the following:

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to benefits but not yet receiving them	0
Active employees	<u>103</u>
	<u>107</u>

Funding Policy

The contribution requirements of plan members and the Township Supervisors are established and may be amended by Township Supervisors, subject to applicable labor contracts. For Police Officers, Firefighters and Non-Union Employees (who elect this option), eligible retirees may participate in employer's group medical plan for seven years as long as he or she reimburses the Township 50 percent of premium costs plus the two percent administration fee. After seven years, eligible retirees may participate as long as he or she reimburses the Township 100 percent of premium costs plus the two percent administration fee. For Public Works Association Employees, Public Works White Collar Association Employees and Non-Union Employees and Non-Union Employees (who elect this option), eligible retirees may participate in the employer's group medical plan for four years as long as he or she reimburses the Township 50 percent of premium costs plus the two percent administration fee. After four years, eligible retirees may participate as long as he or she reimburses the Township 100 percent of premium costs plus the two percent administration fee. Spouses and other dependents are covered under the Plan for all eligible retirees, if they were covered at the time of the eligible employee's retirement, unless they are eligible for health care coverage from another source. Spouses and other dependents will continue to be eligible for benefits after the death of a retiree.

The Township may contribute the annual required contribution of the employer ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2010, the Township made no contributions into a separate plan and elected to continue funding on a pay-as-you-go basis, which amounted \$36,398 for 2010. These costs are recognized as an expense when claims or premiums are paid.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

D. Other Postemployment Benefits (continued)

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2008, the most recent actuarial valuation date, is as follows:

	Valuation Date	Actuarial Value of Net Assets	Accrued Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Projected Annual Covered Payroll	Liability as a Percentage of Payroll
OPEB	1/1/2008	\$ -	\$ 1,101,653	0.00%	\$ (1,101,653)	\$ 2,153,681	-51.15%

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 supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable. Additionally, because 2009 was the year of transition for the Plan implementation, reporting requirements have been implemented prospectively; therefore, the RSI does not reflect similar information respective of one of the three preceding years.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

D. Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Standards Codification. 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 of 30 years. The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Township's net OPEB obligation:

	<u>OPEB</u>	
Annual required contribution	\$ 295,372	
Interest on net pension obligation	12,494	
Adjustments to annual required contribution	<u>(17,044)</u>	
Annual pension cost	290,822	
Contributions made	<u>(36,398)</u>	
Increase (decrease) in net pension obligation	254,424	
Net pension obligation (asset) at beginning of year	<u>277,640</u>	<i>restated</i>
Net pension obligation (asset) at end of year	<u><u>\$ 532,064</u></u>	

Restated – The beginning balance has been restated to reflect the proper employer contributions made to the plan for the year ending 2009. The effect was to increase the liability by \$45,814.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2008 actuarial valuation using the following assumptions:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2008
Investment rate of return	4.5%
Projected salary increases due to inflation	6.0%
Cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Amortization period	30

Healthcare trend rate: 8.5% in 2008, decreasing .5% per year to an ultimate rate of 5% in 2015 and later.

UPPER MORELAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

IV. Other information (Continued)

D. Other Postemployment Benefits (continued)

Three Year Trend Information

OPEB

Fiscal Year	Annual OPEB	Percentage of Cost	Net OPEB Obligation
<u>Ending</u>	<u>Cost</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2009	\$ 295,372	6.0%	\$ 277,640
12/31/2010	290,822	12.5%	532,064

Because 2009 was the year of transition for reporting requirements been implemented prospectively; therefore, the above illustration does not reflect similar information respective of one of the three preceding years.

E. Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2010, \$165,576 represents the balance of these monies held in escrow.

F. Due from other government

During 2010, the Township paid for renovations to the firehouse in Willow Grove. The Willow Grove Volunteer Fire Company Active Crew agreed to repay a portion of those costs over a 10-year period to the Township. The total principal amount to be repaid was \$87,000, with annual interest payable at 2.5%. At December 31, 2010 the outstanding balance payable to the Township was \$37,396.

G. Subsequent event

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 16, 2011, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

UPPER MORELAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

IV. Other information (Continued)

H. Prior period adjustment

A prior period adjustment was made to the financial statements to capture additional accrued revenue for earned income tax receipts. The net effect increased Net Assets by \$874,620 on the Government-wide statements. There was no effect to fund balance on the modified accrual basis of accounting.

REQUIRED SUPPLEMENTAL INFORMATION

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Non-Uniform Pension Plan

December 31, 2010

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Accrued Actuarial Liability Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Liability</u>	<u>Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/2005	\$ 12,239,220	\$ 10,953,257	111.74%	\$ (1,285,963)	\$ 3,622,900	-35.50%
1/1/2007	13,400,992	13,090,222	102.37%	(310,770)	3,756,193	-8.27%
1/1/2009	15,226,948	14,899,189	102.20%	(327,759)	4,317,883	-7.59%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2005	\$ 99,798	\$ 99,798	100.0%
2006	130,760	130,920	100.1%
2007	221,248	221,368	100.1%
2008	226,273	226,333	100.0%
2009	275,494	275,494	100.0%
2010	297,001	297,001	100.0%

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Firefighters Pension Plan

December 31, 2010

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Accrued Actuarial Liability Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/2005	\$ 527,052	\$ 531,064	99.24%	\$ 4,012	\$ 243,209	1.65%
1/1/2007	676,901	695,468	97.33%	18,566	276,063	6.73%
1/1/2009	902,929	842,807	107.13%	(60,122)	355,271	-16.92%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2005	\$ 31,646	\$ 31,646	100.0%
2006	32,810	32,810	100.0%
2007	46,534	46,534	100.0%
2008	48,824	48,824	100.0%
2009	61,296	61,296	100.0%
2010	68,665	68,665	100.0%

UPPER MORELAND TOWNSHIP

Required Supplemental Information – Police Pension Plan

December 31, 2010

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Net Assets</u>	<u>Accrued Actuarial Liability Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/2005	\$ 14,635,682	\$ 15,482,252	94.53%	\$ 846,570	\$ 2,761,997	30.65%
1/1/2007	16,784,680	19,031,561	88.19%	3,359,047	2,877,383	116.74%
1/1/2009	15,009,495	21,970,691	68.32%	6,961,196	2,231,008	312.02%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2005	\$ 226,996	\$ 232,153	102.3%
2006	334,094	339,859	101.7%
2007	352,524	352,524	100.0%
2008	351,031	351,031	100.0%
2009	623,724	623,724	100.0%
2010	565,515	565,515	100.0%

UPPER MORELAND TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2010

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Highway Aid</u>	<u>Fire Truck</u>	
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 228,668	\$ 101,671	\$ 330,339
Due from other funds	-	22,000	22,000
Total Assets	<u>\$ 228,668</u>	<u>\$ 123,671</u>	<u>\$ 352,339</u>
 <u>FUND BALANCES</u>			
Fund Balance			
Unreserved, reported in:			
Special revenue funds	\$ 228,668	\$ -	\$ 228,668
Capital project funds	-	123,671	123,671
Total Fund Balance	<u>228,668</u>	<u>123,671</u>	<u>352,339</u>
 TOTAL LIABILITIES AND			
FUND BALANCE			
	<u>\$ 228,668</u>	<u>\$ 123,671</u>	<u>\$ 352,339</u>

UPPER MORELAND TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010

	<u>Special Revenue Fund Highway Aid</u>	<u>Capital Projects Fund Fire Truck</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Investment income and rent	\$ 256	\$ 65	\$ 321
Intergovernmental revenues	494,492	-	494,492
Total Revenues	<u>494,748</u>	<u>65</u>	<u>494,813</u>
Expenditures			
Current:			
Highways and roads	<u>553,363</u>	-	<u>553,363</u>
Total Expenditures	<u>553,363</u>	-	<u>553,363</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(58,615)</u>	<u>65</u>	<u>(58,550)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	22,000	22,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>22,000</u>	<u>22,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	(58,615)	22,065	(36,550)
Fund Balance - Beginning	<u>287,283</u>	<u>101,606</u>	<u>388,889</u>
Fund Balance - Ending	<u>\$ 228,668</u>	<u>\$ 123,671</u>	<u>\$ 352,339</u>

UPPER MORELAND TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

December 31, 2010

	Pension Trust Funds				Agency Fund	Total Fiduciary Funds
	Police Pension	Municipal Pension	Fire Pension	Total	Escrows	
<u>ASSETS</u>						
Current Assets						
Cash	\$ 581,350	\$ -	\$ -	\$ 581,350	\$ 165,576	\$ 746,926
Receivables	-	-	-	-	27,000	27,000
Investments, at fair value						
Assets with PMRS	-	11,979,322	1,175,876	13,155,198	-	13,155,198
Mutual Funds	16,316,276	-	-	16,316,276	-	16,316,276
Total Current Assets	\$ 16,897,626	\$ 11,979,322	\$ 1,175,876	\$ 30,052,824	\$ 192,576	\$ 30,245,400
<u>LIABILITIES</u>						
Escrows payable	\$ -	\$ -	\$ -	\$ -	\$ 192,576	\$ 192,576
<u>NET ASSETS</u>						
Net assets held in trust for pension benefits	\$ 16,897,626	\$ 11,979,322	\$ 1,175,876	\$ 30,052,824	\$ -	\$ 30,052,824

UPPER MORELAND TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

For the Year Ended December 31, 2010

	Pension Trust Funds			
	Police Pension	Municipal Pension	Fire Pension	Total
Additions				
Contributions				
Employer	\$ 426,546	\$ 20	\$ -	\$ 426,566
Employee	166,143	151,170	13,505	330,818
State allocation	138,969	297,001	68,665	504,635
Total Contributions	<u>731,658</u>	<u>448,191</u>	<u>82,170</u>	<u>1,262,019</u>
Investment Income				
Net appreciation (depreciation)				
in fair value of investments	1,656,445	-	-	1,656,445
Dividends	287,357	-	-	287,357
Interest	43,039	666,435	63,181	772,655
Total Investment Earnings	<u>1,986,841</u>	<u>666,435</u>	<u>63,181</u>	<u>2,716,457</u>
Total Additions	<u>2,718,499</u>	<u>1,114,626</u>	<u>145,351</u>	<u>3,978,476</u>
Deductions				
Miscellaneous expenses	59,162	2,300	100	61,562
Insurance premium	-	817	718	1,535
Return of contributions	-	23,507	-	23,507
Benefits	1,223,713	565,735	-	1,789,448
Total Deductions	<u>1,282,875</u>	<u>592,359</u>	<u>818</u>	<u>1,876,052</u>
Net Increase (Decrease)	1,435,624	522,267	144,533	2,102,424
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	<u>15,462,002</u>	<u>11,457,055</u>	<u>1,031,343</u>	<u>27,950,400</u>
End of Year	<u>\$ 16,897,626</u>	<u>\$ 11,979,322</u>	<u>\$ 1,175,876</u>	<u>\$ 30,052,824</u>