

TOWNSHIP OF LOWER GWYNEDD

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Township of Lower Gwynedd
Spring House, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Gwynedd as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Township of Lower Gwynedd
Spring House, Pennsylvania

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on page 45, trend data on infrastructure condition on page 46, pension plan funding progress on page 47 and postemployment benefits other than pension funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower Gwynedd's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014, on our consideration of the Township of Lower Gwynedd's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lower Gwynedd's internal control over financial reporting and compliance.



Oaks, Pennsylvania
April 25, 2014

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Our discussion and analysis of Lower Gwynedd Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Position.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities by \$43,645,591 (net position). Of this amount, \$10,759,669 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$360,028.
- As of December 31, 2013, the fund balance for the General Fund was \$3,472,959.
- Outstanding debt at year ending 2013 was \$4,156,000.
- The Township's debt rating remained at Aaa by Moody's Investors Service.
- The Township's Total Real Estate Taxes in mills is 1.223.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Township. The components of the report include the Independent Auditors' Report, Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements and Notes to the Basic Financial Statements. This report also contains other Required and Supplementary Information in addition to the basic financial statements.

The Independent Auditors' Report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position.

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

The basic financial statements include the Statement of Net Position, Statement of Activities, Fund Financial Statements and the Notes to the Basic Financial Statements. Statements of Net Position and Activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

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

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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

Other Required Supplementary Information (RSI) is additional information consisting of budgetary comparisons for the General Fund, trend data on infrastructure condition and pension and OPEB schedules of funding progress.

Other Supplementary Information consists of the following:

- Combining Balance Sheet and Combining Schedule of Revenues, Expenditures and Changes in Fund Balances for Other Governmental Funds.
- Combining Schedule of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position for Fiduciary Funds.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Position and Statement of Activities

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

These two statements report the Township's net position and changes in it during the year. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as, changes in the Township's property tax base and the condition of the Township's assets, to assess the overall fiscal health of the Township.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

In these statements, we divided the Township into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including police, public works, safety and codes, parks and recreation and administration. Real estate, earned income and business taxes, fees and charges and grants finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to customers to cover all or most of the cost of services it provides. The Township's sewer system is reported here. The Township also includes a separate legal entity in its report--the Lower Gwynedd Township Municipal Authority. The Municipal Authority is a public authority, which exists to provide facilities for use in the sewer operation of the Township Sewer Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Municipal Authority is important because the Township is financially accountable for it, and, therefore, it has been included as an integral part of the primary government.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$43,645,591 at the close of 2013. This is an increase of \$360,028 from the previous year.

Table 1
Condensed Statements of Net Position
December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and investments	\$ 9,133,368	\$ 7,694,516	\$ 2,745,505	\$ 3,556,893	\$ 11,878,873	\$ 11,251,409
Other assets	536,241	543,232	354,430	79,501	890,671	622,733
Capital assets	33,442,719	34,010,210	2,856,613	3,428,550	36,299,332	37,438,760
TOTAL ASSETS	43,112,328	42,247,958	5,956,548	7,064,944	49,068,876	49,312,902
DEFERRED OUTFLOW OF RESOURCES						
Deferred amount on refunding, net of of accumulated amortization of \$5,307	8,844	10,613	-	-	8,844	10,613
LIABILITIES						
Other liabilities	597,346	671,242	109,314	157,171	706,660	828,413
Long-term debt	3,243,960	3,729,000	945,000	1,060,000	4,188,960	4,789,000
OPEB liability	536,509	420,539	-	-	536,509	420,539
TOTAL LIABILITIES	4,377,815	4,820,781	1,054,314	1,217,171	5,432,129	6,037,952
NET POSITION						
Net investment in capital assets	30,207,603	30,252,959	1,911,613	2,368,550	32,119,216	32,621,509
Restricted	477,923	373,054	-	-	477,923	373,054
Unrestricted	8,057,831	6,811,777	2,990,621	3,479,223	11,048,452	10,291,000
TOTAL NET POSITION	\$ 38,743,357	\$ 37,437,790	\$ 4,902,234	\$ 5,847,773	\$ 43,645,591	\$ 43,285,563

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

The largest portion of the Township's net position, \$32,119,216 or 73.59% is reflected in its investment in capital assets (e.g., land, buildings, streets, equipment) less any related debt which is still outstanding. The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending and the resources needed to repay this debt must be provided from other sources. Cash and investments represent 24.2% of Lower Gwynedd Township's total assets.

Long-term debt total is \$4,156,000. The proceeds were used to finance two major projects; the expansion of the municipal complex including the installation of an emergency generator and the construction of Pen-Ambler Park. The expansion of the municipal complex and the construction of Pen-Ambler Park have been completed. Funds from the Bond proceeds, originally budgeted for the Fire/Ambulance Sub-Station, were reallocated for the installation of an emergency generator at the Township Building. Due to the sluggish economy and unexpected difficulties in acquiring land, the construction of the Fire/Ambulance Sub-Station has been postponed. The Township refinanced the 2005 General Obligation Bonds and received net proceeds of \$265,991.

Assets in the business-type activities column reflect the Township's investment in its sewer system. Cash and investments represent 46.1% of Lower Gwynedd Township's total business-type assets which will allow for future investment in the sewer system. The Township operates and maintains three pumping stations, five metering stations and 147 miles of sewer lines.

Accumulated depreciation reflects 21.2% of total capital assets for governmental activities and 85.6% of total capital assets for business-type activities. The percentages reflect the Township's commitment to provide services through effective and efficient use of resources.

Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities for fiscal 2013 was \$9,064,681.

The Township's governmental activities sustained a net increase of \$1,305,567 and the business-type activities sustained a net decrease of \$945,539. The total increase of net position for the Township was \$360,028.

Table 2 shows the changes in net position for the years ended December 31, 2013 and 2012.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Table 2
Changes in Net Position
Years Ended December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues						
Charges for services	\$ 786,323	\$ 640,295	\$ 2,915,678	\$ 2,702,659	\$ 3,702,001	\$ 3,342,954
Operating grants and contributions	594,559	1,462,743	-	34,643	594,559	1,497,386
Capital grants and contributions	-	1,003,192	-	-	-	1,003,192
General revenues						
Taxes						
Real estate tax	1,660,604	1,661,743	-	-	1,660,604	1,661,743
Real estate transfer tax	441,549	341,354	-	-	441,549	341,354
Earned income tax	4,233,540	3,463,874	-	-	4,233,540	3,463,874
Business privilege tax	294,974	214,297	-	-	294,974	214,297
Mercantile tax	179,989	158,890	-	-	179,989	158,890
Local services tax	310,705	231,684	-	-	310,705	231,684
Cable TV franchise fees	375,634	215,380	-	-	375,634	215,380
Investment income	90,545	90,171	14,102	18,904	104,647	109,075
Gain on sale/disposition of assets	(510)	8,003	30,713	10,100	30,203	18,103
Interfund transfers, net	96,769	97,218	(96,769)	(97,218)	-	-
TOTAL REVENUES	9,064,681	9,588,844	2,863,724	2,669,088	11,928,405	12,257,932
EXPENSES						
General government	1,271,064	1,256,891	-	-	1,271,064	1,256,891
Public safety	3,610,887	3,479,747	-	-	3,610,887	3,479,747
Highways/streets	1,286,662	1,480,716	-	-	1,286,662	1,480,716
Culture and recreation	493,342	478,684	-	-	493,342	478,684
Insurance	60,305	64,583	-	-	60,305	64,583
Workmen's compensation	58,200	62,776	-	-	58,200	62,776
Payments to fire companies	176,856	184,910	-	-	176,856	184,910
Interest on long-term debt	84,748	199,255	-	-	84,748	199,255
Depreciation, unallocated	717,050	717,475	-	-	717,050	717,475
Sewer operations	-	-	3,809,263	3,256,477	3,809,263	3,256,477
TOTAL EXPENSES	7,759,114	7,925,037	3,809,263	3,256,477	11,568,377	11,181,514
CHANGE IN NET POSITION	1,305,567	1,663,807	(945,539)	(587,389)	360,028	1,076,418
NET POSITION AT BEGINNING OF YEAR	37,437,790	35,773,983	5,847,773	6,435,162	43,285,563	42,209,145
NET POSITION AT END OF YEAR	\$ 38,743,357	\$ 37,437,790	\$ 4,902,234	\$ 5,847,773	\$ 43,645,591	\$ 43,285,563

The cost of all governmental activities this year was \$7,759,114. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$6,378,232.

As indicated by the governmental program expenses, public safety programs account for approximately 46.9% of the total expenditures of the Township's governmental activities. General administration and highways/streets services account for approximately 16.4% and 16.6%, respectively, of the total expenditures for 2013.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Real estate taxes, earned income taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 18.3% and 4.9% of total governmental revenues, respectively. Earned income taxes provide 46.7% of the governmental revenues. Local Service Tax provided 3.4% of the total governmental revenues. Below are the charts showing the prior years of Real Estate Tax, Transfer Tax and Earned Income Tax receipts.

Real Estate Tax								
Year	Assessment	Rate of Change	Change in Assessment	Millage	Assessment Change	Increase in Real Estate Tax Billed	Real Estate Tax Billed	Real Estate Tax Collected (Face)
2014	\$ 1,362,631,210	100.29%	\$ 3,975,040	1.223	\$ 4,861.47	\$ 4,883.03	\$ 1,683,602.63	\$ N/A
2013	1,358,656,170	100.02%	298,810	1.223	365.44	367.26	1,678,719.60	1,664,183.53
2012	1,358,357,360	99.46%	(7,357,590)	1.223	(8,998.33)	136,634.07	1,678,352.34	1,658,395.69
2011	1,365,714,950	101.12%	15,155,000	1.117	16,928.14	17,215.31	1,541,718.27	1,526,595.00
2010	1,350,559,950	100.19%	2,566,120	1.117	2,866.36	2,866.88	1,524,502.96	1,512,424.95
2009	1,347,993,830	101.45%	19,240,240	1.117	21,491.35	21,491.23	1,521,636.08	1,511,959.09
2008	1,328,753,590	101.38%	18,146,970	1.117	20,270.17	20,256.75	1,500,144.85	1,495,715.00
2007	1,310,606,620	100.97%	12,571,660	1.117	14,042.54	14,730.46	1,479,888.10	1,470,706.15
2006	1,298,034,960	100.83%	10,744,390	1.117	12,001.48	11,849.46	1,465,157.64	1,449,951.00

Transfer Tax							
2013	2012	2011	2010	2009	2008	2007	2006
\$ 441,549	\$ 341,354	\$ 296,300	\$ 318,563	\$ 335,550	\$ 666,429	\$ 653,528	\$ 487,323

Earned Income Tax							
2013	2012	2011	2010	2009	2008	2007	2006
\$ 4,233,540	\$ 3,463,874	\$ 2,865,290	\$ 3,053,273	\$ 2,956,517	\$ 3,350,100	\$ 3,248,253	\$ 3,421,140

Business-Type Activities

The Lower Gwynedd Township sewer system was constructed by the Lower Gwynedd Township Municipal Authority at the request of the Township's Board of Supervisors. The Municipal Authority retains ownership of the system and leases it to the Township, which is responsible for its operation, maintenance and repair. Total revenue from this activity is \$2,863,724. Total expense is \$3,809,263, which exceeded revenues by 33.0%. Lower Gwynedd Township pays 36.2% of the capital improvement costs for the Ambler Wastewater Treatment Plant. In 2012 and 2013, a major capital project was undertaken by the Ambler Wastewater Treatment Plant. The capital expenditures for the years 2012 and 2013 totaled \$602,585 and \$656,371, respectively. After 2013, it is anticipated that capital cost will normalize and reflect cost in the \$300,000 range. In July 2010, the Township raised its sewer usage charge for metered water to \$80.00 for 12,000 gallons and \$5.25 per additional 1,000 gallons.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments fall into two categories, transfers or supplemental appropriations, and can only be made after April 1st of the budget year in accordance with the Pennsylvania Second Class Township Code. Transfers are made between budget line items, and supplemental appropriations are a result of additional unanticipated revenues. The following is a brief summary of budget amendments between the original budget and the final amended budget for fiscal 2013:

- \$106,549 increase of Real Estate Transfer Tax due to improvement in the housing market.
- \$933,550 increase of Earned Income Tax due to a general increase in remittances and the delayed collection from Delaware County collector.
- \$160,634 increase of Cable TV Franchise due to increased fees.
- \$25,000 increase of Northern Montgomery Recycling Commission due to resolving and reporting issues from prior year.
- \$22,419 increase in Building Permits due to increased building activities.
- \$11,395 increase in Electrical Permits due to increased building activities.
- \$14,757 increase in Plumbing Permits due to increased building activities.
- \$22,569 increase in Professional Services for Non-Uniform Pension due to reallocation of administrative expenses from Non-Uniform Pension Fund to the General Fund.
- \$15,502 decrease in Legal Services due to a slowdown in litigation.
- \$20,086 decrease in Storm Water Management Compliance due to delays in regulatory compliance requirements.
- \$14,755 decrease in Utilities due to mild weather conditions.
- \$60,825 decrease in Salary of Chief Police due to retirement of former Chief mid-year.
- \$12,052 increase in Post-Retirement Health Benefit due to the settlement of a labor dispute.
- \$17,118 increase in Festive Holiday Pay due to Police Contract negotiations.
- \$38,203 increase in Professional Services for Police Pension due to reallocation of administrative expenses from Police Pension Fund to the General Fund.
- \$33,671 increase in Police Capital Purchase due to purchase of new SUV.
- \$11,872 increase in Architectural Services due to under estimate of commission on building permits.

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

- \$22,277 decrease in Other Legal Services due lack of litigation related to zoning issues.
- \$40,027 increase in Transfer to Sinking Fund due to a shortfall of Debt Service Tax revenues to meet obligations.
- \$650,179 increase in Transfer to Capital Reserve Fund to comply with Fund Balance Policy.
- \$106,873 increase in Transfer to Police Pension Fund to contribute additional funds.
- \$27,217 increase in Transfer to Non-Uniform Pension Fund to contribute additional funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lower Gwynedd Township's investment in capital assets for its governmental and business-type activities as of December 31, 2013, totals \$33,442,719 and \$2,856,613, respectively (net of accumulated depreciation). The Township's investment in capital assets includes land, buildings and improvement, furniture and equipment, automobiles and trucks, land improvements and infrastructure (see Table 3). Infrastructure includes roads, bridges, storm sewers and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations and equipment.

Table 3

**Capital Assets at Year-End (Net of Depreciation)
December 31, 2013**

GOVERNMENTAL ACTIVITIES

Land	\$ 10,595,063
Infrastructure	13,154,136
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	23,749,199
Infrastructure	3,995,706
Buildings and building improvements	4,854,401
Furniture, equipment and vehicles	843,413
TOTAL CAPITAL ASSETS BEING DEPRECIATED	9,693,520
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	33,442,719

BUSINESS-TYPE ACTIVITIES

Sewer system and equipment	2,856,613
TOTAL CAPITAL ASSETS	\$ 36,299,332

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

This year's major additions included:

GOVERNMENTAL ACTIVITIES

Traffic signal battery backup system	\$	7,665
Municipal complex building improvements		12,230
Penllyn Woods Park improvements		9,878
Police equipment		22,792
Municipal complex phone system		21,345
Police vehicles		69,403
Computer system upgrades		8,706

BUSINESS-TYPE ACTIVITIES

Sewer system improvement and equipment	\$	188,094
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Building and improvements, equipment and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method. However, for road and street infrastructure, the Township elected to use the modified approach. The modified approach allows Lower Gwynedd Township to record the current costs of preserving eligible infrastructure in lieu of depreciation. The streets are maintained at an acceptable level and these maintenance costs are expensed. Only expenditures that increase capacity or efficiency of the infrastructure are capitalized.

A summary of changes in Capital Assets is presented in Note C of the Financial Statements.

Debt

The Township has the highest possible rating from Moody's, Aaa. The high rating reflects the Township's multi-year trend of ample available reserves that exceed the national median for similarly-rated credits, wealth and income levels that are at least two times national medians, modest debt burden with limited future debt plans, moderately-sized and growing tax base outside of Philadelphia and conservative spending policies.

At year-end for the Governmental Activities, the Township's debt was \$3,211,000 compared to \$3,729,000 the previous year. The debt that is due within one year for Governmental Activities is \$561,000. For the Business-Type Activities, the Township had \$945,000 in outstanding debt at year-end compared to \$1,060,000 the previous year. The debt that is due within one year for Business-Type Activities is \$120,000.

Table 4		
Outstanding Debt		
December 31, 2013 and 2012		
	<u>2013</u>	<u>2012</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 3,211,000	\$ 3,729,000
BUSINESS-TYPE ACTIVITIES		
Guaranteed Sewer Revenue Bonds	<u>945,000</u>	<u>1,060,000</u>
	<u>\$ 4,156,000</u>	<u>\$ 4,789,000</u>

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

Lower Gwynedd Township is located in the southeastern section of Montgomery County and is 15 miles from Philadelphia. Lower Gwynedd is bounded by the townships of Montgomery, Horsham, Upper Dublin, Whitpain, and Upper Gwynedd, and Ambler Borough.

The Township is served by a network of major roads which offers convenient access to the City of Philadelphia. The roads that go through the Township are State Routes 63, 202 and 309. The Township is also served by two SEPTA passenger rail stations within its borders, Penilyn and Gwynedd Valley Stations.

The Township is home to Gwynedd Mercy College, Wissahickon High School, Middle and Elementary Schools, as well as, the prestigious Gwynedd Mercy Academy Elementary and High Schools. These schools provide convenient and close access to both public and private educational institutions.

Local industry, close proximity to major employment centers and educational institutions play an important role in the Township's economy. The largest employer in the Township is Gwynedd Mercy College. Janssen, a subsidiary of Johnson & Johnson, and Siemens Energy provide the Township with a strong industrial base. Other noted employers in the Township are Wissahickon School District, Acts Retirement Life Community, Foulkeways at Gwynedd and Country Inn Associates (a.k.a. The William Penn Inn). Merck & Co. has their world headquarters in West Point, Pennsylvania, approximately five (5) miles west of the Township. Merck & Co. owns a 130-acre site on Sumneytown Pike which is mostly undeveloped. Dow Chemical has announced it will be moving its Spring House operations to Collegeville. This move will occur gradually over the next eighteen months, resulting in a loss of approximately 800 jobs. The 130-acre site adjacent to the 309 interchange will attract significant development interest. Janssen is in the midst of an expansion that, when completed, will bring an additional 1,200 employees to the facility in Lower Gwynedd Township.

The Township's population has grown steadily over the past 25 years. According to the U.S. Census Bureau, the population in 1980 was 6,902. In 2000, the population was counted at 10,422 with 4,360 dwelling units. In 2010, the Township's population was 11,405 with 4,906 dwelling units. The Township continues to attract high-end residential development. According to the Montgomery County Planning Commission, the median sale price for all housing units, new and resale, in Lower Gwynedd for the year 2012 was \$407,500 compared to the median sale price of \$255,000 in Montgomery County. This is consistent with income levels, as nearly 50% of all households in Lower Gwynedd have incomes in excess of \$100,000. According to the U.S. Census, 9,355 people work in Lower Gwynedd Township.

These statistics all bode well for the Township's tax base and revenue stream. The Township's use of conservative revenue estimates has created a significant cash reserves in the General Fund and Capital Reserve Fund. This has reduced the impact of recent revenue shortfalls. Receipts are monitored closely in order to proactively adjust to economic conditions. Lower Gwynedd Township had a modest tax increase in 2012 from 1.117 mills to 1.223 mills.

Next Year's Budget

The 2014 Budget and Fiscal Plan was approved by the Board of Supervisors on December 10, 2013. There was no real estate tax or sewer user fee increase. The General Fund Budget will total \$6,483,620, representing an increase of 7% compared to the 2013 General Fund Budget. A property assessed at \$350,000 will pay \$428.05 in Township real estate taxes in 2014.

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Revenue derived from the Earned Income Tax will generate 54% of General Fund receipts and the tax is expected to continue its strong performance in 2014. Real Estate tax receipts are projected to remain the same in 2014 as in 2013.

Police Department costs represent over 53% of General Fund expenditures. The budget includes the hiring of two police officers and the establishment of dedicated funding for post-retirement health insurance costs for police retirees. The Township will pay over \$1,000,000 for health insurance for its (40) full-time employees in 2014.

The Township will allocate \$191,865 for Fire Protection in 2014, most of which will be distributed to the two fire companies serving the Township. A \$15,000 donation is included to be made to the Community Ambulance Association of Ambler.

No increase in sewer user charges is proposed in 2014. Rates have not increased in three years. The Sewer Fund totals \$2,531,066. An allocation of \$100,000 is dedicated to continuing the Township's aggressive program to upgrade its aging sewer collection system.

The Township Recreation Fund totals \$520,177 to provide recreation programming and to maintain the Township's extensive park and trail system. The Township has allocated \$33,334 representing a 10% share of a \$300,000 grant from Montgomery County to extend Township trails from Penllyn Woods to the area of the Montgomery County Community College. This is a joint project with Whitpain Township.

The Township will allocate \$634,414 to repave and improve 3.7 miles of roads in 2014. Funding in the amount of \$40,000 has been allocated as the Township share of a \$400,000 project to improve the four (4) traffic signals in Spring House along Bethlehem and Sumneytown Pikes. The 25-year old heating system in the Township Building will be upgraded at an estimated cost of \$200,000. It is estimated that, as a result of energy savings, the payback for the improvement will be 7-8 years.

In conclusion, the 2014 Budget and Fiscal Plan that was adopted by the Board of Supervisors did not require a tax increase due to a combination of cost-reduction measures undertaken by the Township over recent years and increase revenues. The Township is well-positioned to maintain its strong balance sheet and Aaa bond rating, while providing its citizens with a high level of services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, Lower Gwynedd Township, PO Box 625, Spring House, PA 19477-0625.

General information relating to Lower Gwynedd Township can be found on its website, <http://www.lowergwynedd.org>.

TOWNSHIP OF LOWER GWYNEDD

STATEMENT OF NET POSITION

December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 9,133,368	\$ 2,501,868	\$ 11,635,236
Investments	-	243,637	243,637
Accounts receivable	27,698	-	27,698
Sewer rents receivable	-	42,555	42,555
Taxes receivable	485,245	-	485,245
Interest receivable	5,929	4,272	10,201
Assessments receivable	-	300,105	300,105
Internal balances	2,108	(2,108)	-
Prepaid items	15,261	5,976	21,237
Bond discount, net of accumulated amortization of \$5,569	-	3,630	3,630
Capital assets			
Sewer system and equipment	-	19,838,529	19,838,529
Land	10,595,063	-	10,595,063
Buildings and building improvements	9,418,525	-	9,418,525
Furniture, equipment, automobiles and trucks	2,256,520	-	2,256,520
Infrastructure	20,192,554	-	20,192,554
Accumulated depreciation	(9,019,943)	(16,981,916)	(26,001,859)
TOTAL ASSETS	<u>43,112,328</u>	<u>5,956,548</u>	<u>49,068,876</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding, net of accumulated amortization of \$5,307	<u>8,844</u>	<u>-</u>	<u>8,844</u>
LIABILITIES			
Accounts payable and accrued expenses	214,211	48,352	262,563
Accrued interest	20,752	10,590	31,342
Escrow deposits	362,383	50,372	412,755
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	561,000	120,000	681,000
Portion due or payable after one year			
Bonds payable	2,650,000	825,000	3,475,000
Bond premium, net of accumulated amortization of \$14,267	32,960	-	32,960
OPEB liability	536,509	-	536,509
TOTAL LIABILITIES	<u>4,377,815</u>	<u>1,054,314</u>	<u>5,432,129</u>
NET POSITION			
Net investment in capital assets	30,207,603	1,911,613	32,119,216
Restricted	477,923	-	477,923
Unrestricted	<u>8,057,831</u>	<u>2,990,621</u>	<u>11,048,452</u>
TOTAL NET POSITION	<u>\$ 38,743,357</u>	<u>\$ 4,902,234</u>	<u>\$ 43,645,591</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General government	\$ 1,271,064	\$ 256,107	\$ 120,446
Public safety	3,610,887	300,075	209,890
Public works, highways, roads and streets	1,286,662	157,127	248,323
Culture and recreation	493,342	73,014	15,900
Insurance	60,305	-	-
Workmen's compensation	58,200	-	-
Payments to fire companies	176,856	-	-
Interest on long-term debt	84,748	-	-
Depreciation, unallocated	717,050	-	-
TOTAL GOVERNMENTAL ACTIVITIES	7,759,114	786,323	594,559
BUSINESS-TYPE ACTIVITIES			
Sewer	3,809,263	2,915,678	-
TOTAL TOWNSHIP ACTIVITIES	\$ 11,568,377	\$ 3,702,001	\$ 594,559

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Transfer taxes

Local services tax

Earned income taxes

Business privilege and mercantile taxes

Cable TV franchise fees

Investment income

Gain on sale/disposition of assets

TOTAL GENERAL REVENUES

INTERFUND TRANSFERS, net

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (894,511)	\$ -	\$ (894,511)
(3,100,922)	-	(3,100,922)
(881,212)	-	(881,212)
(404,428)	-	(404,428)
(60,305)	-	(60,305)
(58,200)	-	(58,200)
(176,856)	-	(176,856)
(84,748)	-	(84,748)
<u>(717,050)</u>	<u>-</u>	<u>(717,050)</u>
 <u>(6,378,232)</u>	 <u>-</u>	 <u>(6,378,232)</u>
 <u>-</u>	 <u>(893,585)</u>	 <u>(893,585)</u>
 <u>(6,378,232)</u>	 <u>(893,585)</u>	 <u>(7,271,817)</u>
 1,660,604	 -	 1,660,604
441,549	-	441,549
310,705	-	310,705
4,233,540	-	4,233,540
474,963	-	474,963
375,634	-	375,634
90,545	14,102	104,647
<u>(510)</u>	<u>30,713</u>	<u>30,203</u>
<u>7,587,030</u>	<u>44,815</u>	<u>7,631,845</u>
 <u>96,769</u>	 <u>(96,769)</u>	 <u>-</u>
 1,305,567	 (945,539)	 360,028
<u>37,437,790</u>	<u>5,847,773</u>	<u>43,285,563</u>
 <u>\$ 38,743,357</u>	 <u>\$ 4,902,234</u>	 <u>\$ 43,645,591</u>

TOWNSHIP OF LOWER GWYNEDD

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2013

	General Fund	Open Space Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,491,762	\$ 892,992	\$ 3,485,104	\$ 1,263,510	\$ 9,133,368
Accounts receivable	27,698	-	-	-	27,698
Taxes receivable, net	481,060	-	-	2,692	483,752
Interest receivable	3,029	882	1,423	595	5,929
Prepaid expenses	15,261	-	-	-	15,261
Due from other funds	3,372	-	-	-	3,372
TOTAL ASSETS	\$ 4,022,182	\$ 893,874	\$ 3,486,527	\$ 1,266,797	\$ 9,669,380
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 186,051	\$ 2,354	\$ 3,265	\$ 22,541	\$ 214,211
Due to other funds	789	-	-	475	1,264
Escrow deposits	362,383	-	-	-	362,383
TOTAL LIABILITIES	549,223	2,354	3,265	23,016	577,858
FUND BALANCES					
Restricted					
Streets and highway repair	-	-	-	326,759	326,759
Street lighting	-	-	-	18,824	18,824
Fire protection	-	-	-	1,674	1,674
Fire hydrant	-	-	-	72,335	72,335
Debt service	-	-	-	41,070	41,070
Recreation	-	-	-	17,261	17,261
Assigned					
Capital projects	-	891,520	3,483,262	-	4,374,782
Traffic improvement	-	-	-	758,853	758,853
Unassigned	3,472,959	-	-	7,005	3,479,964
TOTAL FUND BALANCES	3,472,959	891,520	3,483,262	1,243,781	9,091,522
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,022,182	\$ 893,874	\$ 3,486,527	\$ 1,266,797	\$ 9,669,380

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 9,091,522
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:</p>	
Land	10,595,063
Buildings and building improvements	9,418,525
Furniture, equipment, automobiles and trucks	2,256,520
Infrastructure	20,192,554
Accumulated depreciation	(9,019,943)
<p>Costs associated with the issuance of bonds are expensed in the Governmental Funds statements; however, these costs are capitalized and amortized in the government-wide statements:</p>	
Bond premium	(32,960)
Deferred amount on refunding	8,844
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(20,752)
Bonds payable in future years	(3,211,000)
OPEB liability	(536,509)
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds.</p>	
	<u>1,493</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>38,743,357</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	General Fund	Open Space Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,273,605	\$ -	\$ -	\$ 857,284	\$ 7,130,889
Licenses and permits	416,807	-	-	-	416,807
Fines and forfeits	18,310	-	-	-	18,310
Investment income, rents and royalties	271,126	3,050	21,894	4,923	300,993
Intergovernmental revenues	214,512	-	112,734	248,323	575,569
Charges for services	312,966	-	-	201,178	514,144
Contributions	-	12,000	15,900	-	27,900
Miscellaneous revenue	3,399	-	-	-	3,399
TOTAL REVENUES	7,510,725	15,050	150,528	1,311,708	8,988,011
EXPENDITURES					
General government	1,219,714	131	76,195	7,741	1,303,781
Public safety	3,605,454	-	21,712	1,480	3,628,646
Public works, highways, roads and streets	673,546	-	392,884	215,997	1,282,427
Culture and recreation	-	10,650	17,538	465,023	493,211
Insurance	55,964	-	-	4,341	60,305
Workmen's compensation	41,104	-	-	17,096	58,200
Payments to fire companies	-	-	-	176,856	176,856
Debt service	-	-	-	607,371	607,371
TOTAL EXPENDITURES	5,595,782	10,781	508,329	1,495,905	7,610,797
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,914,943	4,269	(357,801)	(184,197)	1,377,214
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of Township assets	-	-	1,950	-	1,950
Interfund transfers in	98,670	-	811,267	424,347	1,334,284
Interfund transfers out	(1,223,515)	(2,000)	(2,000)	(10,000)	(1,237,515)
TOTAL OTHER FINANCING SOURCES (USES)	(1,124,845)	(2,000)	811,217	414,347	98,719
NET CHANGE IN FUND BALANCES	790,098	2,269	453,416	230,150	1,475,933
FUND BALANCES AT BEGINNING OF YEAR	2,682,861	889,251	3,029,846	1,013,631	7,615,589
FUND BALANCES AT END OF YEAR	\$ 3,472,959	\$ 891,520	\$ 3,483,262	\$ 1,243,781	\$ 9,091,522

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD

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

Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,475,933
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	(565,031)
<p>Capital assets are capitalized in the government-wide statements. When those assets are disposed of or sold, the net book value is written off as a component of gain or loss on sale or disposition of assets. This represents the net book value of assets sold or disposed of during the period.</p>	(2,460)
<p>Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. This is the change in real estate tax lien for the current period.</p>	(9,528)
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	518,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	488
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	4,135
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:</p>	
OPEB liability	<u>(115,970)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,305,567</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Municipal Authority Fund	Enterprise Sewer Enterprise Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 192,404	\$ 1,009,578
Sewer rents receivable	-	42,555
Assessments receivable, current portion	42,872	-
Prepaid expenses	-	5,976
Interest receivable	-	773
	235,276	1,058,882
RESTRICTED ASSETS		
Investments	243,637	-
LONG-TERM ASSESSMENTS RECEIVABLE, less current portion		
	257,233	-
OTHER ASSETS		
Future lease rents receivable	945,000	-
BOND DISCOUNT, net of accumulated amortization of \$5,569		
	-	3,630
CAPITAL ASSETS, net of accumulated depreciation of \$16,981,916		
	-	2,856,613
TOTAL ASSETS	1,681,146	3,919,125
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	-	37,012
Accrued interest	-	10,590
Current portion of long-term debt	120,000	-
Escrow deposits	50,372	-
Due to other funds	-	2,108
	170,372	49,710
LONG-TERM DEBT, less current portion		
	825,000	945,000
TOTAL LIABILITIES	995,372	994,710
NET POSITION		
Net investment in capital assets	-	1,911,613
Unrestricted	685,774	1,012,802
	685,774	1,012,802
TOTAL NET POSITION	\$ 685,774	\$ 2,924,415

See accompanying notes to the basic financial statements.

Funds			
<u>Sewer Reserve Fund</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Total Proprietary Funds</u>
\$ 1,299,886	\$ 2,501,868	\$ -	\$ 2,501,868
-	42,555	-	42,555
-	42,872	-	42,872
-	5,976	-	5,976
<u>3,499</u>	<u>4,272</u>	<u>-</u>	<u>4,272</u>
1,303,385	2,597,543	-	2,597,543
-	243,637	-	243,637
-	257,233	-	257,233
-	945,000	(945,000)	-
-	3,630	-	3,630
<u>-</u>	<u>2,856,613</u>	<u>-</u>	<u>2,856,613</u>
<u>1,303,385</u>	<u>6,903,656</u>	<u>(945,000)</u>	<u>5,958,656</u>
11,340	48,352	-	48,352
-	10,590	-	10,590
-	120,000	-	120,000
-	50,372	-	50,372
<u>-</u>	<u>2,108</u>	<u>-</u>	<u>2,108</u>
11,340	231,422	-	231,422
<u>-</u>	<u>1,770,000</u>	<u>(945,000)</u>	<u>825,000</u>
<u>11,340</u>	<u>2,001,422</u>	<u>(945,000)</u>	<u>1,056,422</u>
-	1,911,613	-	1,911,613
<u>1,292,045</u>	<u>2,990,621</u>	<u>-</u>	<u>2,990,621</u>
<u>\$ 1,292,045</u>	<u>\$ 4,902,234</u>	<u>\$ -</u>	<u>\$ 4,902,234</u>

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

	<u>Municipal Authority Fund</u>	<u>Enterprise Sewer Enterprise Fund</u>
OPERATING REVENUES		
Charges for services	\$ -	\$ 2,503,404
Fees and assessments	400,024	-
Interest on capital lease financing	46,960	-
Other operating revenues	-	12,250
	<u>446,984</u>	<u>2,515,654</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Professional fees	59,131	14,812
Engineering	113,692	-
Rent	-	100,350
General operating expenses	-	644,950
Insurance	-	148,563
Workmen's compensation	-	8,649
Depreciation and amortization	-	760,572
Miscellaneous	-	-
Maintenance expense	524,827	656,371
Treatment expenses	-	721,284
	<u>697,650</u>	<u>3,055,551</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(250,666)</u>	<u>(539,897)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(46,960)	(45,810)
Interest and investment income	-	5,681
Gain on disposal of assets	-	-
	<u>(46,960)</u>	<u>(40,129)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(297,626)</u>	<u>(580,026)</u>
OPERATING TRANSFERS		
Operating transfers in	-	188,094
Operating transfers out	-	(94,769)
	<u>-</u>	<u>93,325</u>
TOTAL OPERATING TRANSFERS		
CHANGE IN NET POSITION	(297,626)	(486,701)
NET POSITION AT BEGINNING OF YEAR	<u>983,400</u>	<u>3,411,116</u>
NET POSITION AT END OF YEAR	<u>\$ 685,774</u>	<u>\$ 2,924,415</u>

See accompanying notes to the basic financial statements.

<u>Funds</u>			
<u>Sewer Reserve Fund</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Total Proprietary Funds</u>
\$ -	\$ 2,503,404	\$ -	\$ 2,503,404
-	400,024	-	400,024
-	46,960	(46,960)	-
-	12,250	-	12,250
-	<u>2,962,638</u>	<u>(46,960)</u>	<u>2,915,678</u>
-	73,943	-	73,943
-	113,692	-	113,692
-	100,350	-	100,350
-	644,950	-	644,950
-	148,563	-	148,563
-	8,649	-	8,649
-	760,572	-	760,572
10,252	10,252	-	10,252
-	1,181,198	-	1,181,198
-	721,284	-	721,284
<u>10,252</u>	<u>3,763,453</u>	<u>-</u>	<u>3,763,453</u>
<u>(10,252)</u>	<u>(800,815)</u>	<u>(46,960)</u>	<u>(847,775)</u>
-	(92,770)	46,960	(45,810)
8,421	14,102	-	14,102
30,713	30,713	-	30,713
<u>39,134</u>	<u>(47,955)</u>	<u>46,960</u>	<u>(995)</u>
<u>28,882</u>	<u>(848,770)</u>	<u>-</u>	<u>(848,770)</u>
-	188,094	(188,094)	-
<u>(190,094)</u>	<u>(284,863)</u>	<u>188,094</u>	<u>(96,769)</u>
<u>(190,094)</u>	<u>(96,769)</u>	<u>-</u>	<u>(96,769)</u>
(161,212)	(945,539)	-	(945,539)
<u>1,453,257</u>	<u>5,847,773</u>	<u>-</u>	<u>5,847,773</u>
<u>\$ 1,292,045</u>	<u>\$ 4,902,234</u>	<u>\$ -</u>	<u>\$ 4,902,234</u>

TOWNSHIP OF LOWER GWYNEDD

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2013

	<u>Municipal Authority Fund</u>	<u>Enterprise Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 158,201	\$ 2,530,297
Payments to and on behalf of employees	-	(539,448)
Payments to vendors and others	(693,752)	(1,804,141)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(535,551)</u>	<u>186,708</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments	-	(115,000)
Interest payments	(46,960)	(45,810)
Operating transfers to other funds	-	(94,769)
Operating transfers from other funds	-	188,593
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,960)</u>	<u>(66,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(188,094)
Proceeds from sale of fixed assets	-	-
Change in investments	560,060	-
Investment income	-	5,567
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>560,060</u>	<u>(182,527)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,451)	(62,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>214,855</u>	<u>1,072,383</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 192,404</u>	<u>\$ 1,009,578</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (250,666)	\$ (539,897)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	-	760,031
Amortization	-	541
(Increase) decrease in		
Receivables, net	(288,783)	14,643
Prepaid expenses	-	(228)
Increase (decrease) in		
Accounts payable and accrued expenses	-	(48,382)
Escrow deposits	3,898	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (535,551)</u>	<u>\$ 186,708</u>

See accompanying notes to the basic financial statements.

<u>Funds</u>			
<u>Sewer Reserve Fund</u>	<u>Totals</u>	<u>Eliminations</u>	<u>Total Proprietary Funds</u>
\$ -	\$ 2,688,498	\$ (46,960)	\$ 2,641,538
-	(539,448)	-	(539,448)
(13,625)	(2,511,518)	-	(2,511,518)
<u>(13,625)</u>	<u>(362,468)</u>	<u>(46,960)</u>	<u>(409,428)</u>
-	(115,000)	-	(115,000)
-	(92,770)	46,960	(45,810)
(189,747)	(284,516)	188,593	(95,923)
-	188,593	(188,593)	-
<u>(189,747)</u>	<u>(303,693)</u>	<u>46,960</u>	<u>(256,733)</u>
-	(188,094)	-	(188,094)
30,713	30,713	-	30,713
-	560,060	-	560,060
6,587	12,154	-	12,154
<u>37,300</u>	<u>414,833</u>	<u>-</u>	<u>414,833</u>
(166,072)	(251,328)	-	(251,328)
<u>1,465,958</u>	<u>2,753,196</u>	<u>-</u>	<u>2,753,196</u>
\$ <u>1,299,886</u>	\$ <u>2,501,868</u>	\$ <u>-</u>	\$ <u>2,501,868</u>
\$ (10,252)	\$ (800,815)	\$ (46,960)	\$ (847,775)
-	760,031	-	760,031
-	541	-	541
-	(274,140)	-	(274,140)
-	(228)	-	(228)
(3,373)	(51,755)	-	(51,755)
-	3,898	-	3,898
<u>(13,625)</u>	<u>(362,468)</u>	<u>(46,960)</u>	<u>(409,428)</u>

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 372,734
Investments	<u>11,453,033</u>
TOTAL ASSETS	<u>\$ 11,825,767</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 11,825,767</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2013

	<u>Pension Trust Funds</u>
ADDITIONS	
Member contributions	\$ 77,647
Employer contribution	733,985
State contribution	201,987
Gain on investments	1,611,550
Interest	<u>258,577</u>
TOTAL ADDITIONS	<u>2,883,746</u>
DEDUCTIONS	
Employee benefit payments	537,452
Other expenses	<u>14,895</u>
TOTAL DEDUCTIONS	<u>552,347</u>
CHANGE IN NET POSITION	2,331,399
NET POSITION AT BEGINNING OF YEAR	<u>9,494,368</u>
NET POSITION AT END OF YEAR	<u><u>\$ 11,825,767</u></u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Township of Lower Gwynedd (the "Township") operates as a Second Class Township under the laws of the Commonwealth of Pennsylvania. The Township provides the following services: general township administration, public safety, maintenance and repairs of highways and streets, health, culture and recreation and public improvements.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to government units.

In accordance with governmental accounting standards, the Township has determined that the Lower Gwynedd Township Municipal Authority (the "Municipal Authority") is part of the Township's reporting entity and is included in the Township's financial statements as part of the Enterprise Funds. The criteria for determining the reporting entity includes oversight responsibility, which embraces such factors as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Complete financial statements of the Municipal Authority can be obtained directly from its administrative office. The financial statements of the Municipal Authority are shown as a blended presentation in the Proprietary Funds.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

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

Fund Accounting - The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

The Township reports the following major Governmental Funds:

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Open Space Fund (Capital Project Fund) - The Open Space Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by the Industrial Compact Fund, Capital Reserve Fund and Proprietary Funds).

Capital Reserve Fund (Capital Project Fund) - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by the Industrial Compact Fund, Open Space Fund and Proprietary Funds).

The Township reports the following major Proprietary Funds:

Municipal Authority Fund - This fund represents the financial results of the Township's Municipal Authority, a component unit of the Township.

Sewer Enterprise Fund - The Sewer Enterprise Fund is used to account for activities that are financed and operated in a manner similar to private business, with the intent that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered, primarily through user charges.

Sewer Reserve Fund - The Sewer Reserve Fund is used for the accumulation of resources for capital expenditures to the sewer system.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Township's Special Revenue Funds include the Highway Aid Fund, Street Lighting Fund, Fire Protection Fund, Recreation Fund, Traffic Impact Fund and Fire Hydrant Fund.

Industrial Compact Fund - The Industrial Compact Fund is used to account for financial resources to be used for the inspection and liaison of major industries within the Township.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources and the payment of interest and principal on all general obligation debt other than Enterprise Fund debt.

Fiduciary Funds

Pension Trust Funds - Pension Trust Funds are used to account for assets held by the Township in a trustee capacity and include the Police Pension and Non-Uniformed Employees Pension Funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer charges. Operating expenses for the Township's Enterprise Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Budgets and Budgetary Accounting

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

1. 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.
2. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
3. Prior to December 31, the Township holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through passage of an ordinance.
4. All budget revisions require the approval of the Township Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on the modified accrual basis of accounting. All appropriations lapse at year-end.

Cash and Cash Equivalents

Bank accounts, certificates of deposit and investment in the Pennsylvania Local Government Investment Trust are all highly liquid investments and are considered to be cash and cash equivalents.

Taxes Receivable

Taxes receivable of the General Fund reflect amounts receivable for real estate taxes, mercantile taxes, business privilege taxes, real estate transfer taxes and earned income taxes.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Investments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, the Township's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Interfund Transactions

As a result of its operations, the Township has a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2013, appropriate interfund receivables or payables have been established.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the customer's property if the customer does not remit payment.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000 (amount not rounded) or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	5-40
Buildings and building improvements	5-30
Furniture, equipment, automobiles and trucks	5-30
Sewer system and equipment	5-30

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Note that the Township uses the modified approach for various infrastructure assets, and, accordingly, no depreciation is taken on these assets (see Note C). The Township completes an annual assessment of pavement conditions and maintains all roads at an overall good or better condition level.

Use of Estimates

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

Real Estate Property Tax

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after June 30. 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.

Compensated Absences

Township policy applicable to vacation and sick pay for employees is as follows:

Vacation Pay - Vacation should be used within the current year. Five days may be carried over to the following year.

Sick Pay - Full-time, non-uniformed employees are granted one sick day per month. Unused sick leave for non-uniformed employees may be accumulated up to 100 days. Uniformed employees are granted one and one-quarter days per month. Unused sick leave for uniformed employees may be accumulated up to 130 days. Any employee who terminates or retires shall receive no compensation for accumulated sick leave.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

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

Fund Equity

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2013, the Board has not delegated the authority to assign fund balance.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE B DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. As of December 31, 2013, \$8,164,684 was insured by the Federal Depository Insurance Corporation. The remaining \$3,975,403 of the Township's bank balance of \$12,140,087 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the Township's name

Total Governmental Funds	\$ <u>3,183,779</u>
Township Proprietary Funds	\$ <u>680,974</u>
Township Fiduciary Funds	\$ <u>110,650</u>

Investments

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Second Class Township Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and insured certificates of deposit.

Investments authorized for pension plans include any investment purchased or retained in the exercise of that degree of judgment and care which men of prudence exercise in the management of their own affairs.

As of December 31, 2013, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities One Year or Less</u>	<u>Investment Rating</u>
PROPRIETARY FUNDS			
Money Market Accounts	\$ <u>243,637</u>	\$ <u>243,637</u>	N/A
FIDUCIARY FUNDS			
Mutual Funds	\$ <u>11,453,033</u>	\$ <u>11,453,033</u>	N/A

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

At December 31, 2013, there were no investments in any one organization that represented 5% or more of total investments other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE C CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,595,063	\$ -	\$ -	\$ 10,595,063
Infrastructure	13,154,136	-	-	13,154,136
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	23,749,199	-	-	23,749,199
Capital assets being depreciated				
Infrastructure	7,062,855	7,665	(32,102)	7,038,418
Buildings and building improvements	9,404,605	22,108	(8,188)	9,418,525
Furniture, equipment, automobiles and trucks	2,224,777	122,246	(90,503)	2,256,520
TOTAL CAPITAL ASSETS BEING DEPRECIATED	18,692,237	152,019	(130,793)	18,713,463
Accumulated depreciation				
Infrastructure	(2,839,884)	(234,879)	32,051	(3,042,712)
Buildings and building improvements	(4,267,070)	(305,242)	8,188	(4,564,124)
Furniture, equipment, automobiles and trucks	(1,324,272)	(176,929)	88,094	(1,413,107)
TOTAL ACCUMULATED DEPRECIATION	(8,431,226)	(717,050)	128,333	(9,019,943)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,261,011	(565,031)	(2,460)	9,693,520
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	34,010,210	(565,031)	(2,460)	33,442,719
BUSINESS-TYPE ACTIVITIES				
Sewer system and equipment	19,650,435	188,094	-	19,838,529
Accumulated depreciation	(16,221,885)	(760,031)	-	(16,981,916)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	3,428,550	(571,937)	-	2,856,613
TOTAL CAPITAL ASSETS, net	\$ 37,438,760	\$ (1,136,968)	\$ (2,460)	\$ 36,299,332

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE D DEBT

Bonded Debt, Municipal Authority

The Municipal Authority occasionally issued bonds to provide a sanitary sewerage system to serve portions of the Township. The system is leased to the Township. As a result of the provision for refunding Sewer Revenue Bonds, Series of 1961, 1967, 1972, 1978, 1985 and 1993, the lease securing such issues has been terminated, and a new lease, dated December 2003, was executed. In the lease, the Township covenants to maintain sewer rates and charges at a level sufficient to pay all expenses of operating and maintaining the sewer system and to pay 105% of the fixed lease rentals specified in the lease (which fixed lease rentals have been computed to be sufficient to pay the debt service on the bonds). The Township also covenants to operate and maintain the sewer system in good repair and to exercise all powers conferred upon it by law to collect such rates and charges. The Municipal Authority covenants in the indenture to require the Township to perform all its obligations under the lease. The lease expires October 1, 2020, at which date the bonds will be fully redeemed.

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Township. General Obligation Bonds require the Township to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity.

On September 6, 2002, the Township issued General Obligation Bonds, Series A of 2002, in the amount of \$1,745,000. The bonds were issued for the purpose of providing funds for the advance refund of principal and interest of the Township's Series of 1997 bonds and to provide funds to cover the issuance cost of the obligation.

On July 19, 2011, the Township issued General Obligation Bonds, Series of 2011, in the amount of \$2,805,000. The bonds were issued for the purpose of currently refunding the Township's General Obligation Bonds, Series of 2005, finance capital projects and pay the costs and expenses incurred in connection with the issuance of the bonds.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The following is a summary of transactions affecting long-term obligations for the year ended December 31, 2013:

	<u>Interest Rate</u>	<u>Original Principal</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds		
Series A of 2002, maturing in 2014	3.80%	\$ 1,745,000
Series of 2011, maturing in 2019	2.00% to 2.20%	<u>2,805,000</u>
TOTAL GENERAL OBLIGATION BONDS		4,550,000
Bond premium		-
Net OPEB obligation		-
		<u>4,550,000</u>
 BUSINESS-TYPE ACTIVITIES		
Municipal Authority		
Guaranteed Sewer Revenue Bonds, Series of 2003	1.10% to 4.60%	<u>1,960,000</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 6,510,000</u>

Debt Service Requirements

A summary of long-term debt service requirements to maturity, including principal and interest, is as follows:

General Obligation Bonds

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 561,000	\$ 64,881	\$ 625,881
2015	575,000	47,790	622,790
2016	590,000	36,140	626,140
2017	600,000	24,240	624,240
2018	615,000	12,090	627,090
2019	<u>270,000</u>	<u>2,970</u>	<u>272,970</u>
	<u>\$ 3,211,000</u>	<u>\$ 188,111</u>	<u>\$ 3,399,111</u>

<u>Balance Outstanding January 1, 2013</u>	<u>Proceeds from New Obligations</u>	<u>Retired During Year</u>	<u>Balance Outstanding December 31, 2013</u>	<u>Due Within One Year</u>
\$ 924,000	\$ -	\$ (453,000)	\$ 471,000	\$ 471,000
<u>2,805,000</u>	<u>-</u>	<u>(65,000)</u>	<u>2,740,000</u>	<u>90,000</u>
3,729,000	-	(518,000)	3,211,000	561,000
38,864	-	(5,904)	32,960	-
420,539	115,970	-	536,509	-
<u>4,188,403</u>	<u>115,970</u>	<u>(523,904)</u>	<u>3,780,469</u>	<u>561,000</u>
<u>1,060,000</u>	<u>-</u>	<u>(115,000)</u>	<u>945,000</u>	<u>120,000</u>
\$ <u>5,248,403</u>	\$ <u>115,970</u>	\$ <u>(638,904)</u>	\$ <u>4,725,469</u>	\$ <u>681,000</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Guaranteed Sewer Revenue Bonds, Series of 2003

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 120,000	\$ 42,360	\$ 162,360
2015	125,000	37,560	162,560
2016	130,000	31,935	161,935
2017	135,000	26,085	161,085
2018	140,000	20,010	160,010
2019	150,000	13,570	163,570
2020	<u>145,000</u>	<u>6,670</u>	<u>151,670</u>
	<u>\$ 945,000</u>	<u>\$ 178,190</u>	<u>\$ 1,123,190</u>

The Township financed the General Obligation Bonds, Series A of 2002, through the Delaware Valley Regional Finance Authority (DeVal). DeVal has, in turn, entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) DeVal and the counterparty mutually consent to termination, (2) the borrower defaults on its loan, or (3) DeVal or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, DeVal would receive or make a payment depending on the market value of the related interest rate swap. If DeVal were obligated to make such a payment and sufficient funds were not available, DeVal could assess each borrower its allocable share of the termination payment.

As of December 31, 2013, DeVal would have received a payment of nearly \$116 million if all of the swap agreements were terminated. Therefore, no amounts are reflected on the Township's financial statements.

NOTE E COMMITMENTS

In February 1989, the Township entered into a five-year, noncancelable agreement for the lease of office space, with an option to renew. In October 1993, the lessee exercised the option to renew for the next ten years. In April 2004, the lessee exercised the option to renew until April 2009. In April 2009, the lessee exercised the option to renew for an additional five years until April 2014. For the year ended December 31, 2013, lease payments received by the Township were \$110,098.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 3,372	\$ 789
Special Revenue Funds	-	475
PROPRIETARY FUNDS		
Sewer Enterprise Fund	<u>-</u>	<u>2,108</u>
	<u>\$ 3,372</u>	<u>\$ 3,372</u>

NOTE G INTERFUND TRANSFERS

Interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 98,670	\$ 1,223,515
Open Space Fund	-	2,000
Capital Reserve Fund	811,267	2,000
Debt Service Fund	71,759	-
Special Revenue Funds	352,588	10,000
PROPRIETARY FUNDS		
Sewer Enterprise Fund	188,094	94,769
Sewer Reserve Fund	<u>-</u>	<u>190,094</u>
	<u>\$ 1,522,378</u>	<u>\$ 1,522,378</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE H RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township participates in the Delaware Valley Insurance Trust (the "Trust"). The Township entered into a participation agreement with certain surrounding townships in Montgomery and Bucks Counties, Pennsylvania, to form the Delaware Valley Insurance Trust. The Trust has created a self-insurance pool to offer coverage to eligible townships. The Township is participating in the Trust insurance coverage.

On April 1, 2006, the Township entered into an agreement to participate in the Delaware Valley Health Insurance Trust. The Delaware Valley Health Insurance Trust is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

For the pool coverage, there is a total risk and cost sharing for all participants. Liabilities in excess of assets of the Trust may be assessed to participating members. Specific excess insurance is provided to protect against catastrophic losses.

Premiums are paid by the General Fund and reimbursed from the other funds for their share. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE I PENSION PLANS - PRIMARY GOVERNMENT

Plan Descriptions

The Township sponsors two single-employer defined benefit pension plans: Non-Uniformed Employees Pension Plan and Police Pension Plan. These plans cover substantially all full-time employees. Both plans provide retirement benefits to plan members. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth (the "Act"). The authority to establish and amend benefit provisions rests with the Township Supervisors. The plans do not issue separate reports.

At January 1, 2013, the date of the most recent actuarial valuation, participants in the plans were as follows:

	<u>Non-Uniformed Employees Pension Plan</u>	<u>Police Pension Plan</u>
PARTICIPANTS		
Retirees and beneficiaries	8	13
Active employees	22	15
Terminated vested members	5	1

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Summary of Significant Accounting Policies

Financial information of the Township's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan.

Investments of the plans are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the minimum municipal obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Non-uniformed employees are not required to contribute under the Act. The Commonwealth allocates certain funds to assist in pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth allocation must be funded by the Township (and could include employee contributions).

In 2013, the MMO obligation for the Non-Uniformed Employees Pension Plan was \$259,175. Contributions of \$173,719 and \$85,456 were made by the Township and the Commonwealth, respectively.

In 2013, the MMO obligation for the Police Pension Plan was \$676,797. Contributions of \$560,266 and \$116,531 were made by the Township and the Commonwealth, respectively. Employee contributions of \$77,647 were made to the plan.

Administrative costs, including investment, custodial trustee and actuarial services, are charged to the appropriate plan and fund from investment earnings.

	<u>Non-Uniformed Employees Pension Plan</u>	<u>Police Pension Plan</u>
Normal cost for plan year beginning January 1, 2013	\$122,499	\$277,216
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar open	Level dollar open
Asset valuation method	Adjusted market value	Adjusted market value
Amortization period	9 years	10 years
Actuarial assumptions		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	5.5%

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Investment Concentration

Total plan assets as of December 31, 2013, were \$3,450,372 for the Non-Uniformed Employees Pension Plan and \$8,375,395 for the Police Pension Plan. At December 31, 2013, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

Schedule of Funding Progress

Non-Uniformed Employees Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll (c)/(e)
2013	\$ 2,868,453	\$ 3,383,222	\$ 514,769	84.78%	\$ 1,315,928	39.12%

Police Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll (c)/(e)
2013	\$ 7,503,026	\$ 10,960,976	\$ 3,457,950	68.45%	\$ 1,517,392	227.89%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended December 31,	Non-Uniformed Employees Pension Plan		Police Pension Plan	
	Annual Pension Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2011	\$ 244,165	100%	\$ 557,393	100%
2012	239,441	100%	569,802	100%
2013	259,175	100%	676,797	100%

NOTE: Contributions include state pension aid.

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 accrued liability for benefits.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE J POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

Normal cost	\$ 45,193
Amortization of unfunded actuarial accrued liability	89,202
Interest on annual required contribution	5,376
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>139,771</u>
Interest on net OPEB obligation	12,183
Adjustment to ARC	<u>(28,752)</u>
ANNUAL OPEB EXPENSE	123,202
Estimated pay-as-you-go contributions	<u>(7,232)</u>
INCREASE IN NET OPEB OBLIGATION	115,970
Net OPEB obligation at beginning of year	<u>420,539</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 536,509</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 116,976	10%	\$ 301,489
2012	123,202	6%	420,539
2013	123,202	6%	536,509

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$905,360 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,469,776, and the ratio of the UAAL to the covered payroll was 61.6%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 48, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements of 1.0% to an ultimate rate of 6.0% after two years. The unfunded AAL is being amortized over a 15-year period. The remaining amortization period at December 31, 2013, was 12 years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF LOWER GWYNEDD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,906,280	\$ 6,070,284	\$ 6,273,605	\$ 203,321
Licenses and permits	251,775	416,812	416,807	(5)
Fines and forfeits	27,500	18,310	18,310	-
Interest income, rents and royalties	280,450	266,730	271,126	4,396
Intergovernmental revenues	233,665	208,440	214,512	6,072
Charges for services	254,000	312,326	312,966	640
Contributions	1,000	-	-	-
Miscellaneous revenue	500	3,399	3,399	-
TOTAL REVENUES	5,955,170	7,296,301	7,510,725	214,424
EXPENDITURES				
General government	1,250,405	1,223,973	1,219,714	4,259
Public safety	3,496,049	3,693,036	3,605,454	87,582
Public works, highways, roads and streets	687,052	680,345	673,546	6,799
Insurance	54,645	58,134	55,964	2,170
Workmen's compensation	37,380	37,380	41,104	(3,724)
TOTAL EXPENDITURES	5,525,531	5,692,868	5,595,782	97,086
EXCESS OF REVENUES OVER EXPENDITURES	429,639	1,603,433	1,914,943	311,510
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of Township assets	5,000	-	-	-
Interfund transfers in	98,670	98,670	98,670	-
Interfund transfers out	(533,309)	(1,223,515)	(1,223,515)	-
TOTAL OTHER FINANCING SOURCES (USES)	(429,639)	(1,124,845)	(1,124,845)	-
NET CHANGE IN FUND BALANCE	-	478,588	790,098	311,510
FUND BALANCE AT BEGINNING OF YEAR	2,682,861	2,682,861	2,682,861	-
FUND BALANCE AT END OF YEAR	\$ 2,682,861	\$ 3,161,449	\$ 3,472,959	\$ 311,510

TOWNSHIP OF LOWER GWYNEDD
TREND DATA ON INFRASTRUCTURE CONDITION
Year Ended December 31, 2013

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and roads, and the Township Road Master uses an internal system based on the PASER Pavement Evaluation Program. The Road Master evaluates individual streets and roads based on a numbering system of 1 through 10, where a rating of 10 represents a new/revitalized condition and a rating of 1 represents a worn/exhausted condition. These condition ratings also reflect the life expectancy before milling and overlay work is needed. The assessment of condition is made by visual test designed to reveal any condition that would reduce highway-user benefits below the level of service. The Township's policy is to maintain the street condition at a level of 5 or better. The average condition for this year was 6.152.

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

	<u>Original Budget</u>	<u>Actual</u>
2013	\$ 641,258	\$ 440,905
2012	651,005	659,353
2011	584,213	588,361
2010	452,850	289,910
2009	609,000	425,952

TOWNSHIP OF LOWER GWYNEDD
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

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

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

SCHEDULE OF FUNDING PROGRESS

Non-Uniformed Employees Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Unfunded (Assets in Excess of) AAL (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) Unfunded (Assets in Excess of) AAL as a Percentage of Payroll (c)/(e)
2009	\$ 1,561,672	\$ 2,681,386	\$ 1,119,714	58.24%	\$ 1,316,030	85.08%
2011	2,205,569	3,061,296	855,727	72.05%	1,338,748	63.92%
2013	2,868,453	3,383,222	514,769	84.78%	1,315,928	39.12%

Police Pension Plan

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Unfunded (Assets in Excess of) AAL (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) Unfunded (Assets in Excess of) AAL as a Percentage of Payroll (c)/(e)
2009	\$ 5,006,501	\$ 8,746,351	\$ 3,739,850	57.24%	\$ 1,470,384	254.35%
2011	6,363,039	9,784,606	3,421,567	65.03%	1,498,304	228.36%
2013	7,503,026	10,960,976	3,457,950	68.45%	1,517,392	227.89%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31,	Non-Uniformed Employees Pension Plan		Police Pension Plan	
	Annual Pension Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2007	\$ 131,972	100%	\$ 338,590	100%
2008	239,375	100%	550,418	100%
2009	249,536	100%	559,098	100%
2010	253,129	100%	559,063	100%
2011	244,165	100%	557,393	100%
2012	239,441	100%	569,802	100%
2013	259,175	100%	676,797	100%

Note: Contributions include state pension aid.

TOWNSHIP OF LOWER GWYNEDD
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u> <u>January 1,</u>	<u>(a)</u> <u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>(b)</u> <u>Entry Age</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>(c)</u> <u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b)-(a)</u>	<u>(d)</u> <u>Funded</u> <u>Ratio</u> <u>(a)/(b)</u>	<u>(e)</u> <u>Covered</u> <u>Payroll</u>	<u>(f)</u> <u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>(c)/(e)</u>
2008	\$ -	\$ 524,036	\$ 524,036	0%	\$ 1,580,120	33.2%
2011	-	847,411	847,411	0%	1,498,305	56.6%
2012	-	905,360	905,360	0%	1,469,776	61.6%

SUPPLEMENTARY INFORMATION SECTION

TOWNSHIP OF LOWER GWYNEDDCOMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

December 31, 2013

	Highway Aid Fund	Street Lighting Fund	Special Fire Protection Fund
ASSETS			
Cash and cash equivalents	\$ 326,759	\$ 19,857	\$ 1,072
Taxes receivable, net	-	83	604
Interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 326,759</u>	<u>\$ 19,940</u>	<u>\$ 1,676</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 1,116	\$ -
Due to other funds	-	-	2
	<u>-</u>	<u>-</u>	<u>2</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,116</u>	<u>2</u>
FUND BALANCES			
Restricted			
Streets and highway repair	326,759	-	-
Street lighting	-	18,824	-
Fire protection	-	-	1,674
Fire hydrant	-	-	-
Debt service	-	-	-
Recreation	-	-	-
Assigned, traffic improvement	-	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>326,759</u>	<u>18,824</u>	<u>1,674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 326,759</u>	<u>\$ 19,940</u>	<u>\$ 1,676</u>

Revenue Funds

<u>Recreation Fund</u>	<u>Traffic Impact Fund</u>	<u>Fire Hydrant Fund</u>	<u>Industrial Compact Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 38,932	\$ 758,288	\$ 72,181	\$ 7,005	\$ 39,416	\$ 1,263,510
227	-	124	-	1,654	2,692
<u>-</u>	<u>565</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>595</u>
<u>\$ 39,159</u>	<u>\$ 758,853</u>	<u>\$ 72,335</u>	<u>\$ 7,005</u>	<u>\$ 41,070</u>	<u>\$ 1,266,797</u>
\$ 21,425	\$ -	\$ -	\$ -	\$ -	\$ 22,541
473	-	-	-	-	475
<u>21,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,016</u>
-	-	-	-	-	326,759
-	-	-	-	-	18,824
-	-	-	-	-	1,674
-	-	72,335	-	-	72,335
-	-	-	-	41,070	41,070
17,261	-	-	-	-	17,261
-	758,853	-	-	-	758,853
-	-	-	7,005	-	7,005
<u>17,261</u>	<u>758,853</u>	<u>72,335</u>	<u>7,005</u>	<u>41,070</u>	<u>1,243,781</u>
<u>\$ 39,159</u>	<u>\$ 758,853</u>	<u>\$ 72,335</u>	<u>\$ 7,005</u>	<u>\$ 41,070</u>	<u>\$ 1,266,797</u>

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

	<u>Highway Aid Fund</u>	<u>Street Lighting Fund</u>	<u>Special Fire Protection Fund</u>
REVENUES			
Taxes	\$ -	\$ 16,516	\$ 194,570
Investment income, rents and royalties	334	6	8
Intergovernmental revenues	248,323	-	-
Charges for services	3,090	-	-
TOTAL REVENUES	<u>251,747</u>	<u>16,522</u>	<u>194,578</u>
EXPENDITURES			
General government	-	-	-
Public safety	-	-	-
Public works, highways, roads and streets	166,098	10,183	-
Culture and recreation	-	-	-
Insurance	-	-	1,347
Workmen's compensation	-	-	11,848
Payments to fire companies	-	-	176,856
Debt service	-	-	-
TOTAL EXPENDITURES	<u>166,098</u>	<u>10,183</u>	<u>190,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>85,649</u>	<u>6,339</u>	<u>4,527</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	-	-
Interfund transfers out	-	(2,000)	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>
NET CHANGE IN FUND BALANCES	85,649	4,339	2,527
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>241,110</u>	<u>14,485</u>	<u>(853)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 326,759</u>	<u>\$ 18,824</u>	<u>\$ 1,674</u>

Revenue Funds

<u>Recreation Fund</u>	<u>Traffic Impact Fund</u>	<u>Fire Hydrant Fund</u>	<u>Industrial Compact Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 73,298	\$ -	\$ 39,830	\$ -	\$ 533,070	\$ 857,284
10	4,113	415	2	35	4,923
-	-	-	-	-	248,323
<u>82,057</u>	<u>116,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,178</u>
<u>155,365</u>	<u>120,144</u>	<u>40,245</u>	<u>2</u>	<u>533,105</u>	<u>1,311,708</u>
-	7,665	76	-	-	7,741
-	-	-	1,480	-	1,480
-	-	39,716	-	-	215,997
465,023	-	-	-	-	465,023
2,994	-	-	-	-	4,341
5,248	-	-	-	-	17,096
-	-	-	-	-	176,856
-	-	-	-	607,371	607,371
<u>473,265</u>	<u>7,665</u>	<u>39,792</u>	<u>1,480</u>	<u>607,371</u>	<u>1,495,905</u>
<u>(317,900)</u>	<u>112,479</u>	<u>453</u>	<u>(1,478)</u>	<u>(74,266)</u>	<u>(184,197)</u>
352,588	-	-	-	71,759	424,347
<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
<u>350,588</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>71,759</u>	<u>414,347</u>
32,688	110,479	(1,547)	(1,478)	(2,507)	230,150
<u>(15,427)</u>	<u>648,374</u>	<u>73,882</u>	<u>8,483</u>	<u>43,577</u>	<u>1,013,631</u>
<u>\$ 17,261</u>	<u>\$ 758,853</u>	<u>\$ 72,335</u>	<u>\$ 7,005</u>	<u>\$ 41,070</u>	<u>\$ 1,243,781</u>

TOWNSHIP OF LOWER GWYNEDD
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	Pension Trust Funds		
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Totals
ASSETS			
Cash	\$ 65,773	\$ 306,961	\$ 372,734
Investments	<u>3,384,599</u>	<u>8,068,434</u>	<u>11,453,033</u>
TOTAL ASSETS	<u>\$ 3,450,372</u>	<u>\$ 8,375,395</u>	<u>\$ 11,825,767</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 3,450,372</u>	<u>\$ 8,375,395</u>	<u>\$ 11,825,767</u>

TOWNSHIP OF LOWER GWYNEDD
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2013

	Pension Trust Funds		
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Totals
ADDITIONS			
Member contributions	\$ -	\$ 77,647	\$ 77,647
Employer contribution	173,719	560,266	733,985
State contribution	85,456	116,531	201,987
Gain on investments	464,287	1,147,263	1,611,550
Interest	76,940	181,637	258,577
TOTAL ADDITIONS	<u>800,402</u>	<u>2,083,344</u>	<u>2,883,746</u>
DEDUCTIONS			
Employee benefit payments	79,319	458,133	537,452
Other expenses	4,665	10,230	14,895
TOTAL DEDUCTIONS	<u>83,984</u>	<u>468,363</u>	<u>552,347</u>
CHANGE IN NET POSITION	716,418	1,614,981	2,331,399
NET POSITION AT BEGINNING OF YEAR	<u>2,733,954</u>	<u>6,760,414</u>	<u>9,494,368</u>
NET POSITION AT END OF YEAR	<u>\$ 3,450,372</u>	<u>\$ 8,375,395</u>	<u>\$ 11,825,767</u>

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Supervisors
Township of Lower Gwynedd
Spring House, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Gwynedd as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township of Lower Gwynedd's basic financial statements, and have issued our report thereon dated April 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Lower Gwynedd's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Lower Gwynedd's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Lower Gwynedd's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Supervisors
Township of Lower Gwynedd
Spring House, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Lower Gwynedd's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maullie LLP

Oaks, Pennsylvania
April 25, 2014