

**TOWNSHIP OF LOWER GWYNEDD**

**ANNUAL FINANCIAL REPORT**

***Year Ended December 31, 2008***

## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**



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## **Independent Auditors' Report**

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

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, Spring House, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Lower Gwynedd, Spring House, Pennsylvania's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Spring House, Pennsylvania, as of December 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2009, on our consideration of the Township of Lower Gwynedd, Spring House, Pennsylvania'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 6 through 22, budgetary comparison information on page 54 and trend data on infrastructure condition on page 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower Gwynedd, Spring House, Pennsylvania's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maillo Falcone + Company, LLP*

Oaks, Pennsylvania  
May 1, 2009

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

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, 2008. Please read it in conjunction with the transmittal letter and the Township's financial statements, which begin with the statement of net assets.

## **FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities by \$44,899,249 (net assets). Of this amount, \$13,378,862 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$88,309.
- The fund balance for the General Fund was \$4,146,673, an increase of \$213,379 at December 31, 2008.
- The Township's debt rating is Aa1 by Moody's Investors Service.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

The basic financial statements include the Statement of Net Assets, Statement of Activities, Fund Financial Statements and the Notes to the Basic Financial Statements. Statements of Net Assets 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 Assets focuses on resources available for future operations. This statement presents a snapshot view of the assets the Township owns, the liabilities it owes and the net difference.
- The Statement of Activities focuses on gross and net costs of 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 assets, revenues, expenses and changes in net assets 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 Assets, 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 and trend data on infrastructure condition.

Other Supplementary Information consists of the following:

- Combining Balance Sheet and Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit) for Other Governmental Funds.

## TOWNSHIP OF LOWER GWYNEDD

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

December 31, 2008

- Combining Schedule of Net Assets, Combining Schedule of Revenues, Expenses and Changes in Net Assets and Combining Schedule of Cash Flows for Proprietary Funds.
- Combining Schedule of Fiduciary Net Assets and Combining Schedule of Changes in Fiduciary Net Assets for Fiduciary Funds.

## REPORTING THE TOWNSHIP AS A WHOLE

### Statement of Net Assets and Statement of Activities

Our analysis of the Township as a whole begins with the Statement of Net Assets. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about 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 assets and changes in them during the year. Over time, increases or decreases in the Township's net assets 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.

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 help it 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.

**TOWNSHIP OF LOWER GWYNEDD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2008

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$44,899,249 at the close of 2008. This is a decrease of \$88,309 from the previous year.

**Table 1**  
**Condensed Statements of Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Cash and investments	\$ 9,553,103	\$ 9,579,168	\$ 3,477,279	\$ 3,828,538	\$ 13,030,382	\$ 13,407,706
Other assets	993,543	930,855	153,199	174,238	1,146,742	1,105,093
Capital assets	32,589,975	32,672,315	5,753,412	6,013,894	38,343,387	38,686,209
<b>TOTAL ASSETS</b>	<b>43,136,621</b>	<b>43,182,338</b>	<b>9,383,890</b>	<b>10,016,670</b>	<b>52,520,511</b>	<b>53,199,008</b>
<b>LIABILITIES</b>						
Other liabilities	628,379	862,564	169,883	137,886	798,262	1,000,450
Long-term debt	5,338,000	5,626,000	1,485,000	1,585,000	6,823,000	7,211,000
<b>TOTAL LIABILITIES</b>	<b>5,966,379</b>	<b>6,488,564</b>	<b>1,654,883</b>	<b>1,722,886</b>	<b>7,621,262</b>	<b>8,211,450</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	27,251,975	27,046,315	4,268,412	4,428,894	31,520,387	31,475,209
Unrestricted	9,918,267	9,647,459	3,460,595	3,864,890	13,378,862	13,512,349
<b>TOTAL NET ASSETS</b>	<b>\$ 37,170,242</b>	<b>\$ 36,693,774</b>	<b>\$ 7,729,007</b>	<b>\$ 8,293,784</b>	<b>\$ 44,899,249</b>	<b>\$ 44,987,558</b>

The largest portion of the Township's net assets, \$31,520,387 or 70.2%, 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 24.8% of Lower Gwynedd Township's total assets.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

Long-term debt totaled \$6,823,000. The proceeds were used to finance two major projects: the expansion of the municipal complex including the installation of an emergency generator and 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 Sub-Station, were reallocated for the installation of an emergency generator at the Township Building. Due to the uncertainty involving the economy and the volatility of the bond market, the construction of the Fire Sub-Station has been postponed.

Assets in the business-type activities column reflect the Township's investment in its sewer system. Cash and investments represent 37.1% 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 141.35 miles of sewer lines.

Accumulated depreciation reflects 15.4% of total capital assets for governmental activities and 69.6% 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 (General Fund) revenues from a variety of sources. Total revenue for governmental activities for fiscal 2008 was \$7,186,439.

The net increase in the Township's governmental activities was \$476,468, while the business-type activities sustained a net decrease of \$564,777. The total decline of net assets of the Township was \$88,309.

Table 2 shows the changes in net assets for the years ended December 31, 2008 and 2007.

**TOWNSHIP OF LOWER GWYNEDD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2008

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 779,771	\$ 982,970	\$ 2,161,501	\$ 1,707,137	\$ 2,941,272	\$ 2,690,107
Operating grants and contributions	505,284	445,355	-	-	505,284	445,355
Capital grants and contributions	14,893	850,646	241,103	632,020	255,996	1,482,666
General revenues						
Taxes						
Real estate tax	1,495,715	1,470,706	-	-	1,495,715	1,470,706
Real estate transfer tax	666,429	653,528	-	-	666,429	653,528
Earned income tax	3,350,100	3,248,253	-	-	3,350,100	3,248,253
Business privilege tax	401,753	323,228	-	-	401,753	323,228
Mercantile tax	96,605	205,877	-	-	96,605	205,877
Cable TV franchise fees	164,246	138,379	-	-	164,246	138,379
Investment income	408,024	495,685	122,010	200,142	530,034	695,827
Gain on sale/disposition of assets	3,218	4,032	10,000	-	13,218	4,032
Miscellaneous	261	446	-	-	261	446
Contributions transferred to pension	(789,793)	(469,762)	-	-	(789,793)	(469,762)
Interfund transfers, net	89,933	64,594	(89,933)	(64,594)	-	-
<b>TOTAL REVENUES</b>	<b>7,186,439</b>	<b>8,413,937</b>	<b>2,444,681</b>	<b>2,474,705</b>	<b>9,631,120</b>	<b>10,888,642</b>
<b>EXPENSES</b>						
General government	1,075,443	981,075	-	-	1,075,443	981,075
Public safety	2,583,837	2,468,264	-	-	2,583,837	2,468,264
Highways/streets	1,241,074	1,007,411	-	-	1,241,074	1,007,411
Culture and recreation	581,276	478,079	-	-	581,276	478,079
Insurance	79,786	81,033	-	-	79,786	81,033
Workmen's compensation	83,801	91,225	-	-	83,801	91,225
Payments to fire companies	180,812	195,876	-	-	180,812	195,876
Interest on long-term debt	220,852	233,553	-	-	220,852	233,553
Depreciation, unallocated	663,090	657,041	-	-	663,090	657,041
Sewer operations	-	-	3,009,458	2,621,750	3,009,458	2,621,750
<b>TOTAL EXPENSES</b>	<b>6,709,971</b>	<b>6,193,557</b>	<b>3,009,458</b>	<b>2,621,750</b>	<b>9,719,429</b>	<b>8,815,307</b>
<b>CHANGE IN NET ASSETS</b>	<b>476,468</b>	<b>2,220,380</b>	<b>(564,777)</b>	<b>(147,045)</b>	<b>(88,309)</b>	<b>2,073,335</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>36,693,774</b>	<b>34,473,394</b>	<b>8,293,784</b>	<b>8,440,829</b>	<b>44,987,558</b>	<b>42,914,223</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 37,170,242</b>	<b>\$ 36,693,774</b>	<b>\$ 7,729,007</b>	<b>\$ 8,293,784</b>	<b>\$ 44,899,249</b>	<b>\$ 44,987,558</b>

## TOWNSHIP OF LOWER GWYNEDD

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

December 31, 2008

The cost of all governmental activities this year was \$6,709,971. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$5,410,023.

As indicated by governmental program expenses, public safety programs account for approximately 38.5% of the total expenditures of the Township's governmental activities. General administration and highways/streets services account for approximately 16.0% and 18.5%, respectively, of the total expenditures for 2008.

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 20.8% and 9.3% of total revenues, respectively. Earned income taxes provide 46.6% of the governmental revenues. The chart below shows the last five years of Real Estate Tax, Transfer Tax and Earned Income Tax receipts:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Real Estate Tax	\$ <u>1,495,715</u>	\$ <u>1,470,706</u>	\$ <u>1,449,951</u>	\$ <u>1,439,297</u>	\$ <u>1,425,357</u>
Transfer Tax	\$ <u>666,429</u>	\$ <u>653,528</u>	\$ <u>487,323</u>	\$ <u>638,152</u>	\$ <u>964,639</u>
Earned Income Tax	\$ <u>3,350,100</u>	\$ <u>3,248,253</u>	\$ <u>3,421,140</u>	\$ <u>2,858,755</u>	\$ <u>2,488,354</u>

### **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 \$2,444,681. Total expense is \$3,009,458, which exceeded revenues by 23.1%. In 2008, the Township passed two rate increases. First, on January 1, 2008, sewer usage charges increased to \$55.00 for 12,000 gallons and \$3.75 per additional 1,000 gallons. The second increase occurred on October 1, 2008, when sewer usage charges increased to \$65.00 for 12,000 gallons and \$4.25 per additional 1,000 gallons.

## **TOWNSHIP OF LOWER GWYNEDD**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

December 31, 2008

### **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 2008:

- \$101,430 increase of Real Estate Transfer Tax due to sale of Hunt Club Apartments.
- \$53,490 decrease of Mercantile Tax due to slow down in retail and closing of stores; such as Clemens/Giant and Knopf Dodge.
- \$55,840 increase of Business Privilege Tax due to professional and rental activity.
- \$12,090 decrease of Northern Montgomery Recycling Commission due to DEP audit and reduction of allowable tonnage for years 2003 and 2005.
- \$8,000 increase of Conditional Use, Rezoning Fee due to development activity of cell tower antennas.
- \$10,740 decrease of Plumbing Permit due to slow down of construction activity.
- \$11,080 increase of Sale of Fixed Asset due to favorable sale amounts.
- \$14,935 increase of Professional Service - Newsletter and Website due to extra mailing and trail map.
- \$24,705 decrease of Financial Salary due to attrition.
- \$9,960 decrease of Financial Health Insurance due to attrition.
- \$46,245 decrease of General Legal Service due to settling of police contract.
- \$12,320 decrease of General Engineering Service due to slow down of construction.
- \$26,710 decrease of Patrolman Overtime due to less demand.
- \$32,340 decrease of Architectural Service due to slow down of construction.

# TOWNSHIP OF LOWER GWYNEDD

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

December 31, 2008

- \$10,600 decrease of Other Zoning Legal Service due to reduced legal activity.
- \$50,975 decrease of Highway Salary due to reduction of hours charged to this line item.
- \$400,000 increase in Transfer to Capital Reserve Fund due to strong Fund Balance and support for future capital projects.

The revenues exceeded expenditures by \$213,379 so that Fund Balance as of December 31, 2008, was \$4,146,673.

## 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, 2008 and 2007, totals \$32,589,975 and \$5,753,412, respectively (net of accumulated depreciation). Township investments in capital assets include land, buildings and improvements, 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, 2008**

GOVERNMENTAL ACTIVITIES	
Land	\$ 8,694,970
Infrastructure	12,833,986
Construction in progress	137,413
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>21,666,369</u>
Infrastructure	3,606,162
Buildings and building improvements	6,210,008
Furniture, equipment and vehicles	1,107,436
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>10,923,606</u>
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	32,589,975
BUSINESS-TYPE ACTIVITIES	
Sewer system and equipment	<u>5,753,412</u>
TOTAL CAPITAL ASSETS	<u>\$ 38,343,387</u>

## TOWNSHIP OF LOWER GWYNEDD

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

December 31, 2008

This year's major additions included:

#### GOVERNMENTAL ACTIVITIES

Emergency generator for Municipal Complex	\$	282,816
1 Chevrolet Tahoe		40,140
1 GMC Envoy		29,053
1 Ford F-550		64,846
Vactor Jet Truck (25% of \$238,152.80)		59,538
Trail Groomer - Toro Sand Pro 5040 with attachment		21,279

#### BUSINESS-TYPE ACTIVITIES

Sewer system improvements and equipment	\$	480,217
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Buildings 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

In 2007, Moody's Investors Service upgraded to Aa1 from Aa2 the long-term rating of the Township of Lower Gwynedd's parity rated general obligation debt, affecting approximately \$7.2 million of outstanding debt, including \$1.585 million of Lower Gwynedd Township Municipal Authority's GO-guaranteed sewer revenue debt. The upgrade to Aa1 reflects the Township's multi-year trend of ample available reserves that well 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.

At year-end for the Governmental Activities, the Township's debt was \$5,338,000 compared to \$5,626,000 the previous year. The debt that is due within one year for Governmental Activities is \$578,000. For the Business-Type Activities, the Township had \$1,485,000 in outstanding debt at year-end compared to \$1,585,000 the previous year. The debt that is due within one year for Business-Type Activities is \$100,000.

## TOWNSHIP OF LOWER GWYNEDD

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

December 31, 2008

**Table 4**  
**Outstanding Debt**  
**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 5,338,000	\$ 5,626,000
BUSINESS-TYPE ACTIVITIES		
Guaranteed Sewer Revenue Bonds	<u>1,485,000</u>	<u>1,585,000</u>
	<u>\$ 6,823,000</u>	<u>\$ 7,211,000</u>

## 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. Major reconstruction will be completed in 2011 on Route 309 through Lower Gwynedd Township. The Township is also served by two passenger rail stations within its borders, Penllyn and Gwynedd Valley Stations.

The Township is home to Gwynedd Mercy College, Wissahickon High School and 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 the Rohm and Haas Company. Ortho-McNeil, a subsidiary of Johnson & Johnson, Cognis Corporation and Siemens provide the Township with a strong industrial base. Other noted employers in the Township are Wissahickon School District, Foulkeways at Gwynedd, Springhouse and Gwynedd Estates 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.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

Johnson and Johnson recently completed a 150,000 square foot building representing a \$182 million investment in the Township. Plans are presently under review by the Township for an additional 1.2 million square feet of research and office space and an additional 2,275 employees on the Johnson and Johnson campus in the Township.

The Township's population has grown steadily over the past 25 years. According to the U.S. Census, the population in 1980 was 6,902. In 2000, the population was counted at 10,422 with 4,360 dwelling units. The Township continues to attract high-end residential development. The median sale price for all housing units in Lower Gwynedd for the year 2007 was \$500,000 compared to the median sale price of \$278,000 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.

These statistics all bode well for the Township's tax base and revenue stream. The Township's use of conservative revenue estimates, creating cash reserves in the General Fund and Capital Reserve Fund, will serve to reduce the impact of future revenue shortfalls due to the present deep recession.

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

There was no tax increase in 2009. The Budget reflects expenditures from all funds, including inter-fund transfers, totaling \$16,662,012. The Budget includes revenue projections that take into account the unsettled economy that is affecting the local and national economy. While the Township is in a strong fiscal position to weather a national recession, revenues and expenditures will be monitored more closely.

According to the Montgomery County Board of Assessment, the assessed value of all taxable properties in Lower Gwynedd for 2009 is \$1,347,993,830, compared to \$1,328,753,590 in 2008. The 1.45% increase generates \$21,491 of additional revenue at face value. The depressed value of real estate has resulted in successful assessment appeals, negatively affecting increases in the total valuation.

#### ***General Fund***

The main operating fund for general government is the General Fund. In 2009, estimated revenues and expenditures will total \$6,073,969. This is a slight reduction when compared to the 2008 General Fund budget that was approved by the Board. However, this is the direct result of reduced revenue projections and the consequent reduction in the budgeted amount available for transfer into the Capital Reserve Fund.

On the revenue side, we are anticipating no revenue increases from Earned Income, Real Estate or Business Privilege/Mercantile taxes. Real Estate Transfer Tax revenues are projected to decrease in 2009. There are no increases for building permit fees projected in 2009.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

The major expense from the General Fund is for police protection, representing 40% of General Fund expenditures. A modest 4% increase is included in the 2009 budget for police protection to reflect the contract settlement in early 2009. The Township signed a four-year labor contract with its Police Union granting a 4% annual wage increase and givebacks in health insurance benefits.

Transfers to other funds are projected to increase in 2009. In order to balance the Recreation Fund budget, a transfer of \$334,277 will be required. Pension costs have increased slightly in 2009, from \$789,693 to \$808,634. In future years, costs will increase significantly as a result of the losses incurred in equities in both pension funds. This may have a major impact on the 2010 or 2011 budgets.

#### ***Street Lighting Fund***

No increase in street light taxes will be necessary in 2009 for the twelve (12) street light districts. In 2010, the rate cap for electricity will be lifted, which could result in major cost increases.

#### ***Fire Protection Fund***

Revenues from the .146 mills of real estate tax are distributed to the Wissahickon (70%) and the North Penn (30%) Fire Departments based on coverage areas. It is anticipated that revenues will remain very close to 2008 levels in 2009.

#### ***Fire Hydrant Fund***

No increase in hydrant rental fees is anticipated from North Wales Water Authority or Ambler Borough in 2009. The .033 mills of real estate tax should be sufficient to pay the fees in 2009.

#### ***Recreation Fund***

The 2009 budget for the Recreation Fund totals \$518,190. This represents a 7% increase compared to the 2008 budget. In 2008, there were increased costs for the summer camp program due to an increase in summer camp registrations. The .052 mills of real estate tax generates only 13% of revenues to support the fund. Program income generates an additional 21% of necessary funding. The General Fund contribution in 2009 will be \$334,277.

#### ***Sewer Enterprise Fund***

After two rate increases necessitated by increased treatment charges from Ambler Borough, this operating fund is projected to generate a modest surplus in 2009. According to the Borough of Ambler, treatment charges will drop 7% in 2009, from \$937,717 to \$871,949. There could be a significant increase in rates if treatment standards are imposed by the Pennsylvania Department of Environmental Protection.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

#### ***Sewer Reserve Fund***

The Borough of Ambler's Treatment Plant is under a Consent Decree with the Commonwealth to reduce infiltration and inflow from the collection system that brings sewage into their plant. The Township and the other municipalities that contribute sewage flow to the plant must reduce extraneous flows from the collection system. An amount totaling \$75,000 is budgeted for that work. In addition, manhole adjustments on streets that will be repaved will cost approximately \$13,000. Software and hardware upgrades are included in this budget to replace the postcard system with a letter for customer billing and to reduce manual input of meter readings.

#### ***Open Space Fund***

This fund was created to provide funding to take advantage of opportunities to purchase land in the Township for recreational purposes. Revenues are received via transfers of surplus funds from the General or Capital Reserve Funds. The local matching share required to receive the County Open Space grant will come from this fund. In 2009, the Township concluded the purchase of the Choi property, which is located at the corner of Sumneytown and Bethlehem Pikes, at a cost of \$720,443.

#### ***Construction Fund***

The Construction Fund was created with the proceeds from the 2005 General Obligation Bond Issue. As of December 31, 2008, there was a balance in the Construction Fund of \$87,293. The balance will be spent down in 2009 for roof repairs to the Township building, an audio-visual system for the meeting room, a seal coat for the Township building parking lot and furniture for the police department.

The original bond issue contemplated an expenditure of \$400,000 for the North Penn Sub-Station. This amount has been set aside in the Capital Reserve Fund. The present estimate for the sub-station is \$2.5 million.

#### ***Sinking Fund***

The Sinking Fund budget totals \$778,365 in 2009. In 2008, interest and principal payments for the four (4) General Obligation Bond Issues were \$505,099. The increase was due to the 2009 payment of \$280,000 of principal for the 1998 Issue. A subsidy of \$20,055 from the General Fund will be required in 2009 to meet our debt obligations. In 2010, no subsidy will be required. However, in 2011, \$196,713 will be required, assuming no increase in real estate tax revenues.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

#### ***Capital Reserve Fund***

Expenditures totaling \$1,435,321 are projected from the Capital Reserve Fund in 2009. Road improvements account for 32% of total expenditures. As noted above, the total includes \$400,000 set aside for the fire sub-station and \$225,000 for the Ingersol House. An allocation has also been made in the amount of \$80,000 for legal, engineering and acquisition expenses for Bethlehem Pike Improvements necessary to receive the \$500,000 grant from the Commonwealth. Under Parks and Open Space, \$140,000 represents the Township's required match for the County Open Space grant. The balance in the Capital Reserve Fund as of December 31, 2008, was \$3,230,017.

#### ***Traffic Impact Fund***

The Township collects a traffic impact fee of \$2,285 for each peak hour trip that a new development creates in the designated area. These funds may be used for capital improvements specified in the Capital Improvement Plan. As of December 31, 2008, the Traffic Impact Fund had a balance of \$544,163. In 2009, it is anticipated that the Township will collect \$25,000 in impact fees. The amount is directly related to development activity.

#### ***Highway Aid Fund***

Revenues for this fund are received from the Commonwealth as the municipal share of the fuel tax. In 2009, the amount received from the Commonwealth was \$238,304, which reflects a 3.7% decrease from last year's allocation of \$247,476. This turndown is due to the reduced fuel consumption caused by the economic slowdown. All expenditures from this fund must be related to the maintenance of the 46.15 miles of Township roads.

Funds are allocated in the amount of \$188,800 for the road improvement program. Two (2) pick-up trucks will also be purchased from this fund. In order to include these capital items in the Highway Aid budget, the Township will utilize a portion of its surplus. As of December 31, 2008, the fund balance was \$202,100.

#### ***Police Pension Fund***

This is a Fiduciary Fund with assets held in trust to meet the pension obligations of the Township for its police officers. The Police Pension Fund has suffered significant losses as a result of the stock market downturn and the ongoing financial and economic crisis. The Township contribution, minus member contributions of \$74,460 and state aid of \$108,335, will be approximately \$450,760 in 2009. Following the scheduled 2009 valuation, it is anticipated that future contributions will be significantly higher. The Township is obligated to pay \$349,391 in pension benefits in 2009.

## **TOWNSHIP OF LOWER GWYNEDD**

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

*December 31, 2008*

#### ***Detention Basin Fund***

The major expenditure from this fund is for the mowing and maintenance of Township-owned detention basins. In 2009, the Township will spend approximately \$10,500 for contracted mowing services for the basins. The Township also will spend approximately \$9,000 to comply with Pennsylvania Department of Environmental Protection (PADEP) requirements to monitor storm water detention basin outflows. New regulations under consideration by PADEP could increase Township costs dramatically. The fund's only source of revenue is from capital contributions paid when basins are constructed.

#### ***Non-Uniformed Employees Pension Fund***

This is a Fiduciary Fund with assets to meet the pension obligations of the Township's non-uniformed employees. There have been losses in this fund reflecting market conditions. The Township receives state aid to offset a portion of the actuarial costs to meet its obligations but still must contribute a projected \$173,064 in 2009. Pension payments to the six (6) retirees will total \$30,885 in 2009.

#### ***Industrial Compact Fund***

The Industrial Compact Fund is made up of the four (4) major industries located within the municipality and the Township. Members contribute funds to allow for periodic inspections of their facilities by Pennoni Associates, Consulting Engineers. There will be no contributions required in 2009.

#### ***Summary***

The 2009 Budget will allow the Township to continue to deliver a high level of service to those who live and work in Lower Gwynedd Township. If revenues remain flat into 2010, the Township's finances will come under pressure as operating costs, pension obligations and debt service payments increase. The Board may consider the adoption of the Emergency and Municipal Services Tax in 2010 to cover increased expenses. The Township's conservative fiscal policies, light debt load and diversified tax base will be advantageous in these uncertain economic times.

## **TOWNSHIP OF LOWER GWYNEDD**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

*December 31, 2008*

### **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.

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

# TOWNSHIP OF LOWER GWYNEDD

## STATEMENT OF NET ASSETS

December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,553,103	\$ 2,368,326	\$ 11,921,429
Investments	-	1,108,953	1,108,953
Accounts receivable	168,901	-	168,901
Sewer rents receivable	-	34,608	34,608
Taxes receivable	652,909	-	652,909
Interest receivable	61,503	9,790	71,293
Assessments receivable	-	86,266	86,266
Due from other funds	29,496	(29,496)	-
Prepaid expenses	19,230	3,857	23,087
Bond discount, net of accumulated amortization of \$6,703	18,123	-	18,123
Bond issue costs, net of accumulated amortization of \$16,045	43,381	-	43,381
Bond discount, net of accumulated amortization of \$21,775	-	48,174	48,174
Sewer system and equipment	-	18,921,368	18,921,368
Land	8,694,970	-	8,694,970
Buildings and building improvements	9,261,504	-	9,261,504
Furniture, equipment, automobiles and trucks	1,940,916	-	1,940,916
Infrastructure	18,505,843	-	18,505,843
Construction in progress	137,413	-	137,413
Accumulated depreciation	<u>(5,950,671)</u>	<u>(13,167,956)</u>	<u>(19,118,627)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>43,136,621</u></b>	<b>\$ <u>9,383,890</u></b>	<b>\$ <u>52,520,511</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 178,569	\$ 87,108	\$ 265,677
Accrued interest	45,383	18,210	63,593
Escrow deposits	404,427	64,565	468,992
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	578,000	100,000	678,000
Portion due or payable after one year			
Bonds payable	<u>4,760,000</u>	<u>1,385,000</u>	<u>6,145,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,966,379</u></b>	<b><u>1,654,883</u></b>	<b><u>7,621,262</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	27,251,975	4,268,412	31,520,387
Unrestricted	<u>9,918,267</u>	<u>3,460,595</u>	<u>13,378,862</u>
<b>TOTAL NET ASSETS</b>	<b><u>37,170,242</u></b>	<b><u>7,729,007</u></b>	<b><u>44,899,249</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>43,136,621</u></b>	<b>\$ <u>9,383,890</u></b>	<b>\$ <u>52,520,511</u></b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER GWYNEDD**  
**STATEMENT OF ACTIVITIES**  
*Year Ended December 31, 2008*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,075,443	\$ 268,558	\$ 61,751	\$ -	\$ (745,134)	\$ -	\$ (745,134)
Public safety	2,583,837	302,417	196,057	-	(2,085,363)	-	(2,085,363)
Public works, highways, roads and streets	1,241,074	96,621	247,476	14,893	(882,084)	-	(882,084)
Culture and recreation	581,276	112,175	-	-	(469,101)	-	(469,101)
Insurance	79,786	-	-	-	(79,786)	-	(79,786)
Workmen's compensation	83,801	-	-	-	(83,801)	-	(83,801)
Payments to fire companies	180,812	-	-	-	(180,812)	-	(180,812)
Interest on long-term debt	220,852	-	-	-	(220,852)	-	(220,852)
Depreciation, unallocated	663,090	-	-	-	(663,090)	-	(663,090)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,709,971</b>	<b>779,771</b>	<b>505,284</b>	<b>14,893</b>	<b>(5,410,023)</b>	<b>-</b>	<b>(5,410,023)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer	3,009,458	2,161,501	-	241,103	-	(606,854)	(606,854)
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 9,719,429</b>	<b>\$ 2,941,272</b>	<b>\$ 505,284</b>	<b>\$ 255,996</b>	<b>(5,410,023)</b>	<b>(606,854)</b>	<b>(6,016,877)</b>
<b>GENERAL REVENUES</b>							
Taxes					6,010,602	-	6,010,602
Cable TV franchise fees					164,246	-	164,246
Investment income					408,024	122,010	530,034
Gain on sale/disposition of assets					3,218	10,000	13,218
Miscellaneous					261	-	261
<b>TOTAL GENERAL REVENUES</b>					<b>6,586,351</b>	<b>132,010</b>	<b>6,718,361</b>
TRANSFER TO PENSION					(789,793)	-	(789,793)
INTERFUND TRANSFERS, net					89,933	(89,933)	-
<b>CHANGE IN NET ASSETS</b>					<b>476,468</b>	<b>(564,777)</b>	<b>(88,309)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>					<b>36,693,774</b>	<b>8,293,784</b>	<b>44,987,558</b>
<b>NET ASSETS AT END OF YEAR</b>					<b>\$ 37,170,242</b>	<b>\$ 7,729,007</b>	<b>\$ 44,899,249</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER GWYNEDD**

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2008

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Capital Reserve Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,884,114	\$ 1,361,531	\$ 3,168,787	\$ 87,293	\$ 1,051,378	\$ 9,553,103
Accounts receivable	112,631	-	41,377	-	14,893	168,901
Taxes receivable, net	629,887	-	-	-	1,800	631,687
Interest receivable	20,542	9,605	26,587	-	4,769	61,503
Prepaid expenses	18,858	-	-	-	372	19,230
Due from other funds	48,631	961	208	-	4,491	54,291
	<u>4,714,663</u>	<u>1,372,097</u>	<u>3,236,959</u>	<u>87,293</u>	<u>1,077,703</u>	<u>10,488,715</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,714,663</b>	<b>\$ 1,372,097</b>	<b>\$ 3,236,959</b>	<b>\$ 87,293</b>	<b>\$ 1,077,703</b>	<b>\$ 10,488,715</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 157,903	\$ 2,012	\$ 6,942	\$ -	\$ 11,712	\$ 178,569
Due to other funds	5,660	-	-	-	19,135	24,795
Escrow deposits	404,427	-	-	-	-	404,427
<b>TOTAL LIABILITIES</b>	<u>567,990</u>	<u>2,012</u>	<u>6,942</u>	<u>-</u>	<u>30,847</u>	<u>607,791</u>
<b>FUND BALANCES</b>						
Unreserved						
General Fund	4,146,673	-	-	-	-	4,146,673
Special Revenue Funds	-	-	-	-	812,594	812,594
Capital Project Funds	-	1,370,085	3,230,017	87,293	10,919	4,698,314
Debt Service Fund	-	-	-	-	223,343	223,343
<b>TOTAL FUND BALANCES</b>	<u>4,146,673</u>	<u>1,370,085</u>	<u>3,230,017</u>	<u>87,293</u>	<u>1,046,856</u>	<u>9,880,924</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,714,663</b>	<b>\$ 1,372,097</b>	<b>\$ 3,236,959</b>	<b>\$ 87,293</b>	<b>\$ 1,077,703</b>	<b>\$ 10,488,715</b>

See accompanying notes to the basic financial statements.

# TOWNSHIP OF LOWER GWYNEDD

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2008

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 9,880,924

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 assets. Those assets consist of:

Land	8,694,970
Buildings and building improvements	9,261,504
Furniture, equipment, automobiles and trucks	1,940,916
Infrastructure	18,505,843
Construction in progress	137,413
Accumulated depreciation	(5,950,671)

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:

Bond discount	18,123
Bond issue costs	43,381

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

Accrued interest	(45,383)
Bonds payable in future years	(5,338,000)

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.

21,222

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 37,170,242

*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, 2008*

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Capital Reserve Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 5,158,322	\$ -	\$ -	\$ -	\$ 841,279	\$ 5,999,601
Licenses and permits	231,085	-	-	-	-	231,085
Fines and forfeits	44,335	-	-	-	-	44,335
Investment income, rents and royalties	365,120	52,457	125,456	6,377	41,856	591,266
Intergovernmental revenues	203,932	-	41,376	-	247,476	492,784
Charges for services	346,786	-	-	-	141,957	488,743
Contributions	1,200	-	-	-	27,393	28,593
Miscellaneous revenue	348	-	-	-	-	348
<b>TOTAL REVENUES</b>	<u>6,351,128</u>	<u>52,457</u>	<u>166,832</u>	<u>6,377</u>	<u>1,299,961</u>	<u>7,876,755</u>
<b>EXPENDITURES</b>						
General government	1,047,492	1,275	28,512	284,193	740	1,362,212
Public safety	2,645,897	-	42,019	9,310	3,795	2,701,021
Public works, highways, roads and streets	516,298	-	550,177	-	343,372	1,409,847
Culture and recreation	-	89,492	39,025	5,942	472,382	606,841
Insurance	74,153	-	-	-	5,633	79,786
Workmen's compensation	65,331	-	506	-	17,964	83,801
Payments to fire companies	-	-	-	-	180,812	180,812
Debt service	-	-	-	-	505,099	505,099
<b>TOTAL EXPENDITURES</b>	<u>4,349,171</u>	<u>90,767</u>	<u>660,239</u>	<u>299,445</u>	<u>1,529,797</u>	<u>6,929,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,001,957</u>	<u>(38,310)</u>	<u>(493,407)</u>	<u>(293,068)</u>	<u>(229,836)</u>	<u>947,336</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of Township assets	16,084	-	-	-	-	16,084
Transfer to pension	(789,793)	-	-	-	-	(789,793)
Interfund transfers in	91,001	-	805,870	-	314,932	1,211,803
Interfund transfers out	(1,105,870)	(2,000)	(2,000)	-	(12,000)	(1,121,870)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,788,578)</u>	<u>(2,000)</u>	<u>803,870</u>	<u>-</u>	<u>302,932</u>	<u>(683,776)</u>
<b>NET CHANGE IN FUND BALANCES</b>	213,379	(40,310)	310,463	(293,068)	73,096	263,560
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>3,933,294</u>	<u>1,410,395</u>	<u>2,919,554</u>	<u>380,361</u>	<u>973,760</u>	<u>9,617,364</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,146,673</u>	<u>\$ 1,370,085</u>	<u>\$ 3,230,017</u>	<u>\$ 87,293</u>	<u>\$ 1,046,856</u>	<u>\$ 9,880,924</u>

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, 2008*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 263,560
<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>	(69,474)
<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>	(12,866)
<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>	11,001
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	288,000
<p>Payment of bond issue costs and discounts is an expenditure in the Governmental Funds, but this amount is capitalized and amortized in the statement of net assets. This is the amount of amortization for the current period.</p>	(6,740)
<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>	<u>2,987</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 476,468</u>

*See accompanying notes to the basic financial statements.*

# TOWNSHIP OF LOWER GWYNEDD

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

December 31, 2008

#### ASSETS

##### CURRENT ASSETS

Cash and cash equivalents	\$ 2,368,326
Sewer rents receivable	34,608
Assessments receivable	86,266
Prepaid expenses	3,857
Interest receivable	9,790

TOTAL CURRENT ASSETS 2,502,847

##### RESTRICTED ASSETS

Investments	<u>1,108,953</u>
-------------	------------------

BOND DISCOUNT, net of accumulated amortization of \$21,775 48,174

CAPITAL ASSETS, net of accumulated depreciation of \$13,167,956 5,753,412

TOTAL ASSETS \$ 9,413,386

#### LIABILITIES AND NET ASSETS

##### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 87,108
Accrued interest	18,210
Current portion of long-term debt	100,000
Escrow deposits	64,565
Due to other funds	29,496

TOTAL CURRENT LIABILITIES 299,379

LONG-TERM DEBT, less current portion 1,385,000

##### NET ASSETS

Invested in capital assets, net of related debt	4,268,412
Unrestricted	3,460,595

TOTAL NET ASSETS 7,729,007

TOTAL LIABILITIES AND NET ASSETS \$ 9,413,386

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER GWYNEDD**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2008*

<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,069,296
Fees	82,250
Other operating revenues	<u>9,955</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,161,501</u>
<b>OPERATING EXPENSES</b>	
Professional fees	41,594
Engineering	242,209
Rent	88,270
General operating expenses	672,539
Insurance	177,665
Workmen's compensation	16,113
Depreciation	744,814
Miscellaneous	521
Capital charges	22,675
Treatment expenses	<u>937,716</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,944,116</u>
<b>OPERATING LOSS</b>	<u>(782,615)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest expense	(65,342)
Interest and investment income	122,010
Proceeds from sale of fixed assets	<u>10,000</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>66,668</u>
<b>LOSS BEFORE OPERATING TRANSFERS</b>	(715,947)
<b>OPERATING TRANSFERS</b>	
Operating transfers out	<u>(89,933)</u>
<b>CHANGE IN NET ASSETS</b>	(805,880)
<b>CONTRIBUTED CAPITAL</b>	241,103
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>8,293,784</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 7,729,007</u>

*See accompanying notes to the basic financial statements.*

# TOWNSHIP OF LOWER GWYNEDD

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

Year Ended December 31, 2008

#### CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from users	\$ 2,134,850
Payments to and on behalf of employees	(563,196)
Payments to vendors and others	<u>(1,584,370)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,716)</u>

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Contributed capital	241,103
Principal payments	(100,000)
Interest payments	(65,342)
Operating transfers to other funds	(89,933)
Operating transfers from other funds	<u>27,790</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>13,618</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(469,248)
Change in investments	361,028
Investment income	<u>117,087</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,867</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 9,769

#### CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

2,358,557

#### CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 2,368,326

#### RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (782,615)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	744,814
Amortization of discount	4,115
Increase in	
Receivables, net	(10,705)
Prepaid expenses	(322)
Increase (decrease) in	
Accounts payable and accrued expenses	51,610
Escrow deposits	<u>(19,613)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (12,716)</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF LOWER GWYNEDD**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*December 31, 2008*

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,385,741
Investments	<u>3,682,115</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,067,856</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
 <b>LIABILITIES</b>	
Accounts payable	\$ 13,240
 <b>NET ASSETS</b>	
Held in trust for pension benefits	<u>5,054,616</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,067,856</u></b>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER GWYNEDD**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

*Year Ended December 31, 2008*

	<u>Pension Trust Funds</u>
ADDITIONS	
Interest	\$ 181,412
Member contributions	<u>73,151</u>
TOTAL ADDITIONS	<u>254,563</u>
DEDUCTIONS	
Employee benefit payments	367,939
Loss on investments	2,022,027
Other expenses	<u>53,021</u>
TOTAL DEDUCTIONS	<u>2,442,987</u>
CHANGE IN NET ASSETS	(2,188,424)
TRANSFERS IN FROM GENERAL FUND	789,793
NET ASSETS AT BEGINNING OF YEAR	<u>6,453,247</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,054,616</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

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 assets 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.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

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, Construction 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, Construction Fund and Proprietary Funds).

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

**Construction Fund (Capital Project Fund)** - The Construction 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, 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.

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, Detention Basin 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.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
*December 31, 2008*

***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 assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

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.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
*December 31, 2008*

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 as presented on the balance sheet and the statement of cash flows.

**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, 2008*

**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 affects a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2008, 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.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

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

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.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

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, 2008, \$3,257,194 of the Township's bank balance of \$13,287,884 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

Township Governmental Funds	\$ <u>1,694,709</u>
Township Proprietary Funds	\$ <u>235,762</u>
Township Fiduciary Funds	\$ <u>1,326,723</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.

**TOWNSHIP OF LOWER GWYNEDD**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2008

As of December 31, 2008, the Township had the following investments:

Investment Type	Fair Value	Investment Maturities			Investment Rating
		1 Year or Less	2 to 5 Years	6 Years or More	
<b>TOWNSHIP'S FIDUCIARY FUNDS</b>					
U.S. Government agency notes	\$ 101,490	\$ -	\$ 76,482	\$ 25,008	N/A
Floating Rate Mortgage Obligations	100,000	-	-	100,000	Moody's AAA
Municipal bonds	66,997	-	-	66,997	Moody's AA1
Corporate bonds	36,786	-	-	36,786	Moody's AAA
Corporate bonds	87,029	-	-	87,029	Moody's A3
Domestic Large Cap Mutual Funds	1,494,598	1,494,598	-	-	N/A
Domestic Mid Cap Mutual Funds	244,866	244,866	-	-	N/A
Domestic Small Cap Mutual Funds	417,108	417,108	-	-	N/A
International mutual funds	377,850	377,850	-	-	N/A
Taxable bond mutual funds	755,391	755,391	-	-	N/A
	<u>\$ 3,682,115</u>	<u>\$ 3,289,813</u>	<u>\$ 76,482</u>	<u>\$ 315,820</u>	
<b>MUNICIPAL AUTHORITY</b>					
U.S. Treasury money market accounts	\$ 1,108,953	\$ 1,108,953	\$ -	\$ -	

Investment concentrations of the Township's investments are disclosed below as a percentage of total investments:

U.S. Government agency notes .....	2.76%
Floating Rate Mortgage Obligations .....	2.72%
Municipal bonds .....	1.82%
Corporate bonds.....	3.36%
Domestic Large Cap Mutual Funds.....	40.59%
Domestic Mid Cap Mutual Funds .....	6.65%
Domestic Small Cap Mutual Funds .....	11.33%
International mutual funds .....	10.26%
Taxable bond mutual funds .....	20.51%

**TOWNSHIP OF LOWER GWYNEDD**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2008

**NOTE C CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,694,970	\$ -	\$ -	\$ 8,694,970
Infrastructure	12,833,986	-	-	12,833,986
Construction in progress	106,093	42,140	(10,820)	137,413
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>21,635,049</u>	<u>42,140</u>	<u>(10,820)</u>	<u>21,666,369</u>
Capital assets being depreciated				
Infrastructure	5,669,923	1,934	-	5,671,857
Buildings and building improvements	9,261,504	-	-	9,261,504
Furniture, equipment, automobiles and trucks	1,441,189	560,362	(60,635)	1,940,916
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>16,372,616</u>	<u>562,296</u>	<u>(60,635)</u>	<u>16,874,277</u>
Accumulated depreciation	(5,335,350)	(663,090)	47,769	(5,950,671)
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>11,037,266</u>	<u>(100,794)</u>	<u>(12,866)</u>	<u>10,923,606</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>32,672,315</u>	<u>(58,654)</u>	<u>(23,686)</u>	<u>32,589,975</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer system and equipment	18,441,151	480,217	-	18,921,368
Accumulated depreciation	(12,427,257)	(740,699)	-	(13,167,956)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>6,013,894</u>	<u>(260,482)</u>	<u>-</u>	<u>5,753,412</u>
<b>TOTAL CAPITAL ASSETS, net</b>	<u>\$ 38,686,209</u>	<u>\$ (319,136)</u>	<u>\$ (23,686)</u>	<u>\$ 38,343,387</u>

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
*December 31, 2008*

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 July 15, 1998, the Township issued General Obligation Bonds, Series of 1998, in the amount of \$1,625,000. The bonds were issued for the purpose of providing funds for the advance refund of principal and interest of the Township's Series of 1993 bonds and to finance certain capital expenditures.

On March 2, 2002, the Township issued General Obligation Bonds, Series of 2002, in the amount of \$1,695,000. The bonds were issued for the purpose of providing funds for the advance refund of principal and interest of the Township's Series of 1995 bonds and to provide funds to cover the issuance cost of the obligation.

**TOWNSHIP OF LOWER GWYNEDD**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2008

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 January 1, 2005, the Township issued General Obligation Bonds, Series of 2005, in the amount of \$2,785,000. The bonds were issued for the purpose of providing funds to pay for renovations and additions to the existing Township Building, acquire land for open space and recreational purposes, develop public safety facilities, pay for various other capital projects and cover the costs and expenses incurred in connection with the issuance of the bonds.

Description	Interest Rate	Original Principal	Balance Outstanding January 1, 2008	Proceeds from New Obligations	Retired During Year	Balance Outstanding December 31, 2008	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>							
General Obligation Bonds							
Series of 1998, maturing in 2011	3.50% to 4.10%	\$ 1,625,000	\$ 580,000	\$ -	\$ -	\$ 580,000	\$ 280,000
Series of 2002, maturing in 2011	3.03%	1,695,000	819,000	-	(41,000)	778,000	44,000
Series A of 2002, maturing in 2014	3.80%	1,745,000	1,542,000	-	(197,000)	1,345,000	199,000
Series of 2005, maturing in 2018	2.10% to 4.00%	2,785,000	2,685,000	-	(50,000)	2,635,000	55,000
TOTAL GENERAL OBLIGATION BONDS		<u>7,850,000</u>	<u>5,626,000</u>	<u>-</u>	<u>(288,000)</u>	<u>5,338,000</u>	<u>578,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Municipal Authority							
Guaranteed Sewer Revenue Bonds, Series of 2003	1.10% to 4.60%	1,960,000	1,585,000	-	(100,000)	1,485,000	100,000
		<u>\$ 9,810,000</u>	<u>\$ 7,211,000</u>	<u>\$ -</u>	<u>\$ (388,000)</u>	<u>\$ 6,823,000</u>	<u>\$ 678,000</u>

**TOWNSHIP OF LOWER GWYNEDD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2008*

**Debt Service Requirements**

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

***General Obligation Bonds***

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 578,000	\$ 188,872	\$ 766,872
2010	452,000	173,625	625,625
2011	468,000	157,727	625,727
2012	486,000	138,090	624,090
2013	508,000	119,465	627,465
2014	526,000	100,014	626,014
2015	545,000	78,636	623,636
2016	570,000	58,003	628,003
2017	590,000	35,958	625,958
2018	615,000	12,300	627,300
	<u>\$ 5,338,000</u>	<u>\$ 1,062,690</u>	<u>\$ 6,400,690</u>

***Guaranteed Sewer Revenue Bonds, Series of 2003***

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 100,000	\$ 62,092	\$ 162,092
2010	105,000	58,842	163,842
2011	110,000	55,430	165,430
2012	110,000	51,360	161,360
2013	115,000	46,960	161,960
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	145,000	6,670	151,670
	<u>\$ 1,485,000</u>	<u>\$ 452,874</u>	<u>\$ 1,937,874</u>

**TOWNSHIP OF LOWER GWYNEDD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2008*

**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. For the year ended December 31, 2008, lease payments received by the Township were \$94,972.

In 2000, the Township entered into an agreement with another township to pay equal yearly payments of \$8,086, due on October 1 of each year, for a ten-year infrastructure loan with an interest rate of 0%.

Minimum payments for the year ending December 31, 2009, will be \$8,086.

**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>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$     48,631	\$       5,660
Open Space Fund	961	-
Capital Reserve Fund	208	-
Special Revenue Funds	4,491	19,135
 <b>PROPRIETARY FUNDS</b>		
Sewer Funds	<u>          -</u>	<u>     29,496</u>
	<u>\$     54,291</u>	<u>\$     54,291</u>

**TOWNSHIP OF LOWER GWYNEDD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2008*

**NOTE G INTERFUND TRANSFERS**

Interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 91,001	\$ 1,895,663
Open Space	-	2,000
Capital Reserve Fund	805,870	2,000
Special Revenue Funds	314,932	12,000
<b>PROPRIETARY FUNDS</b>		
Enterprise Funds	196,170	286,103
<b>FIDUCIARY FUNDS</b>		
Pension Trust Funds	<u>789,793</u>	<u>-</u>
	<u>\$ 2,197,766</u>	<u>\$ 2,197,766</u>

**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.

**TOWNSHIP OF LOWER GWYNEDD**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2008

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 and Police. 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, 2007, 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>
<b>PARTICIPANTS</b>		
Retirees and beneficiaries	6	11
Active employees	22	17
Terminated vested members	7	1

**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.

**TOWNSHIP OF LOWER GWYNEDD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2008*

**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 2008, the MMO obligation for the Non-Uniformed Employees Pension Plan was \$239,375. Contributions were made by the Township and the Commonwealth in the amounts of \$184,807 and \$54,568, respectively.

In 2008, the MMO obligation for the Police Pension Plan was \$550,418. Contributions were made by the Township in the amount of \$550,418. Employee contributions of \$73,151 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, 2007	\$126,494	\$280,206
Contributions made (employer)	-	-
Actuarial valuation date	January 1, 2007	January 1, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar open	Level dollar open
Asset valuation method	Market	Market
Amortization period	Infinity years	14 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, 2008*

**Investment Concentration**

Total plan net assets as of December 31, 2008, were \$1,198,316 for the Non-Uniformed Employees Pension Plan and \$3,856,300 for the Police Pension Plan. Five percent of total plan assets was \$59,916 for the Non-Uniformed Employees Pension Plan and \$192,815 for the Police Pension Plan as of December 31, 2008.

The following funds represent 5% or more of the total plan net assets of the Non-Uniformed Employees Pension Plan at December 31, 2008:

	<u>Amount</u>	<u>Percent of Total Plan Net Assets</u>
<b>MUTUAL FUNDS</b>		
Large Cap Domestic	\$ 338,590	28.3%
Mid Cap Domestic	62,364	5.2%
Small Cap Domestic	92,182	7.7%
International	88,129	7.4%
Taxable bond mutual funds	164,847	13.8%

The following funds represent 5% or more of the total plan net assets of the Police Pension Plan at December 31, 2008:

	<u>Amount</u>	<u>Percent of Total Plan Net Assets</u>
<b>MUTUAL FUNDS</b>		
Large Cap Domestic	\$ 1,156,008	30.0%
Small Cap Domestic	324,925	8.4%
International	289,721	7.5%
Taxable bond mutual funds	634,399	16.5%

**TOWNSHIP OF LOWER GWYNEDD**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2008

**Schedule of Funding Progress**

***Non-Uniformed Employees Pension Plan***

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll [(b)-(a)]/(c)
2003	\$ 929,218	\$ 1,002,971	\$ 73,753	92.65%	\$ 949,347	7.77%
2005	1,109,159	1,145,823	36,664	96.80	1,038,301	3.53
2007	1,314,221	2,321,617	1,007,396	56.61	1,114,814	90.36

***Police Pension Plan***

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll [(b)-(a)]/(c)
2003	\$ 4,135,278	\$ 4,779,499	\$ 644,221	86.52%	\$ 1,173,257	54.91%
2005	4,288,877	5,911,457	1,622,580	72.55	1,228,257	132.10
2007	4,771,685	7,811,977	3,040,292	61.08	1,350,695	225.09

**TOWNSHIP OF LOWER GWYNEDD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2008*

**Schedule of Contributions from the Employer and Other Contributing Entities**

<u>Year Ended December 31,</u>	<u>Non-Uniformed Employees Pension Plan</u>		<u>Police Pension Plan</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 57,924	100.0%	\$ - (a)	N/A
2004	79,165	100.0%	290,452	100.0%
2005	67,900	100.0%	205,523	100.0%
2006	61,900	100.0%	205,523	100.0%
2007	131,972	100.0%	338,590	100.0%
2008	239,375	100.0%	550,418	100.0%

NOTE: Contributions include state pension aid.

(a) No contribution was required.

**NOTE J SUBSEQUENT EVENT**

In January 2009, the Township paid \$117,000 to complete the condemnation of 1.86 acres of land for the development of a park and improving traffic flow within the Township. Also, in March 2009, the Township purchased .314 acres of land for open space and parking at the Veteran's Memorial Park. There is a grant from the County Open Space program which will partially reimburse the Township for the purchase of land.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER GWYNEDD**  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,882,175	\$ 4,981,665	\$ 5,158,322	\$ 176,657
Licenses and permits	204,800	209,060	231,085	22,025
Fines and forfeits	45,000	45,000	44,335	(665)
Interest income, rents and royalties	355,742	362,262	365,120	2,858
Intergovernmental revenues	205,151	212,876	203,932	(8,944)
Charges for services	375,280	359,002	346,786	(12,216)
Contributions	3,000	1,200	1,200	-
Miscellaneous revenue	250	350	348	(2)
<b>TOTAL REVENUES</b>	<u>6,071,398</u>	<u>6,171,415</u>	<u>6,351,128</u>	<u>179,713</u>
<b>EXPENDITURES</b>				
General government	1,145,742	1,051,816	1,047,492	4,324
Public safety	2,762,146	2,638,474	2,645,897	(7,423)
Public works, highways, roads and streets	609,834	523,260	516,298	6,962
Insurance	103,514	74,160	74,153	7
Workmen's compensation	82,000	65,330	65,331	(1)
<b>TOTAL EXPENDITURES</b>	<u>4,703,236</u>	<u>4,353,040</u>	<u>4,349,171</u>	<u>3,869</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,368,162</u>	<u>1,818,375</u>	<u>2,001,957</u>	<u>183,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of Township assets	5,000	16,080	16,084	4
Transfer to pension	(789,693)	(789,693)	(789,793)	(100)
Interfund transfer in	91,001	91,001	91,001	-
Interfund transfer out	(674,470)	(1,102,270)	(1,105,870)	(3,600)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,368,162)</u>	<u>(1,784,882)</u>	<u>(1,788,578)</u>	<u>(3,696)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	33,493	213,379	179,886
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>3,933,294</u>	<u>3,933,294</u>	<u>3,933,294</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 3,933,294</u>	<u>\$ 3,966,787</u>	<u>\$ 4,146,673</u>	<u>\$ 179,886</u>

**TOWNSHIP OF LOWER GWYNEDD**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
*Year Ended December 31, 2008*

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 6.582.

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

	<u>Original Budget</u>	<u>Actual</u>
2008	\$ <u>661,300</u>	\$ <u>523,157</u>

## **SUPPLEMENTARY INFORMATION SECTION**

**TOWNSHIP OF LOWER GWYNEDD**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*December 31, 2008*

	Special Revenue Funds									
	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Recreation Fund	Traffic Impact Fund	Detention Basin Fund	Fire Hydrant Fund	Industrial Compact Fund	Debt Service Fund	Total Other Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 202,100	\$ 8,533	\$ 871	\$ 1,568	\$ 540,450	\$ 449	\$ 65,294	\$ 10,919	\$ 221,194	\$ 1,051,378
Accounts receivable	-	-	-	-	-	14,893	-	-	-	14,893
Taxes receivable, net	-	76	399	142	-	-	90	-	1,093	1,800
Interest receivable	-	-	-	-	3,713	-	-	-	1,056	4,769
Prepaid expenses	-	-	-	372	-	-	-	-	-	372
Due from other funds	-	-	-	4,491	-	-	-	-	-	4,491
<b>TOTAL ASSETS</b>	<b>\$ 202,100</b>	<b>\$ 8,609</b>	<b>\$ 1,270</b>	<b>\$ 6,573</b>	<b>\$ 544,163</b>	<b>\$ 15,342</b>	<b>\$ 65,384</b>	<b>\$ 10,919</b>	<b>\$ 223,343</b>	<b>\$ 1,077,703</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>										
<b>LIABILITIES</b>										
Accounts payable and accrued expenses	\$ -	\$ 827	\$ -	\$ 10,463	\$ -	\$ 422	\$ -	\$ -	\$ -	\$ 11,712
Due to other funds	-	-	-	5,190	-	13,945	-	-	-	19,135
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>827</b>	<b>-</b>	<b>15,653</b>	<b>-</b>	<b>14,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,847</b>
<b>FUND BALANCES (DEFICIT)</b>										
<b>Unreserved</b>										
Special Revenue Funds	202,100	7,782	1,270	(9,080)	544,163	975	65,384	-	-	812,594
Capital Project Funds	-	-	-	-	-	-	-	10,919	-	10,919
Debt Service Fund	-	-	-	-	-	-	-	-	223,343	223,343
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>202,100</b>	<b>7,782</b>	<b>1,270</b>	<b>(9,080)</b>	<b>544,163</b>	<b>975</b>	<b>65,384</b>	<b>10,919</b>	<b>223,343</b>	<b>1,046,856</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 202,100</b>	<b>\$ 8,609</b>	<b>\$ 1,270</b>	<b>\$ 6,573</b>	<b>\$ 544,163</b>	<b>\$ 15,342</b>	<b>\$ 65,384</b>	<b>\$ 10,919</b>	<b>\$ 223,343</b>	<b>\$ 1,077,703</b>

**TOWNSHIP OF LOWER GWYNEDD**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT)  
OTHER GOVERNMENTAL FUNDS  
Year Ended December 31, 2008

	Special Revenue Funds									
	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Recreation Fund	Traffic Impact Fund	Detention Basin Fund	Fire Hydrant Fund	Industrial Compact Fund	Debt Service Fund	Total Other Governmental Funds
<b>REVENUES</b>										
Taxes	\$ -	\$ 15,310	\$ 191,148	\$ 68,080	\$ -	\$ -	\$ 43,045	\$ -	\$ 523,696	\$ 841,279
Investment income, rents and royalties	9,216	399	853	932	19,877	79	1,933	124	8,443	41,856
Intergovernmental revenues	247,476	-	-	-	-	-	-	-	-	247,476
Charges for services	-	-	-	112,175	29,782	-	-	-	-	141,957
Contributions	-	-	-	-	-	14,893	-	12,500	-	27,393
<b>TOTAL REVENUES</b>	<u>256,692</u>	<u>15,709</u>	<u>192,001</u>	<u>181,187</u>	<u>49,659</u>	<u>14,972</u>	<u>44,978</u>	<u>12,624</u>	<u>532,139</u>	<u>1,299,961</u>
<b>EXPENDITURES</b>										
General government	-	-	-	-	740	-	-	-	-	740
Public safety	-	-	-	-	-	-	-	3,795	-	3,795
Public works, highways, roads and streets	269,777	16,877	-	-	-	18,153	38,565	-	-	343,372
Culture and recreation	-	-	-	472,382	-	-	-	-	-	472,382
Insurance	-	-	-	5,633	-	-	-	-	-	5,633
Workmen's compensation	-	-	9,453	8,511	-	-	-	-	-	17,964
Payments to fire companies	-	-	180,812	-	-	-	-	-	-	180,812
Debt service	-	-	-	-	-	-	-	-	505,099	505,099
<b>TOTAL EXPENDITURES</b>	<u>269,777</u>	<u>16,877</u>	<u>190,265</u>	<u>486,526</u>	<u>740</u>	<u>18,153</u>	<u>38,565</u>	<u>3,795</u>	<u>505,099</u>	<u>1,529,797</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(13,085)</u>	<u>(1,168)</u>	<u>1,736</u>	<u>(305,339)</u>	<u>48,919</u>	<u>(3,181)</u>	<u>6,413</u>	<u>8,829</u>	<u>27,040</u>	<u>(229,836)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Operating transfers in	-	-	-	300,000	-	-	-	-	14,932	314,932
Operating transfers out	-	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	-	-	(12,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>298,000</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>14,932</u>	<u>302,932</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(13,085)</u>	<u>(3,168)</u>	<u>(264)</u>	<u>(7,339)</u>	<u>46,919</u>	<u>(5,181)</u>	<u>4,413</u>	<u>8,829</u>	<u>41,972</u>	<u>73,096</u>
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>	<u>215,185</u>	<u>10,950</u>	<u>1,534</u>	<u>(1,741)</u>	<u>497,244</u>	<u>6,156</u>	<u>60,971</u>	<u>2,090</u>	<u>181,371</u>	<u>973,760</u>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<u>\$ 202,100</u>	<u>\$ 7,782</u>	<u>\$ 1,270</u>	<u>\$ (9,080)</u>	<u>\$ 544,163</u>	<u>\$ 975</u>	<u>\$ 65,384</u>	<u>\$ 10,919</u>	<u>\$ 223,343</u>	<u>\$ 1,046,856</u>

**TOWNSHIP OF LOWER GWYNEDD**  
 COMBINING SCHEDULE OF NET ASSETS  
 PROPRIETARY FUNDS  
 December 31, 2008

	Enterprise Funds			Totals	Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund			
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 209,657	\$ 1,122,735	\$ 1,035,934	\$ 2,368,326	\$ -	\$ 2,368,326
Sewer rents receivable	-	34,608	-	34,608	-	34,608
Assessments receivable	86,266	-	-	86,266	-	86,266
Prepaid expenses	-	3,857	-	3,857	-	3,857
Interest receivable	-	6,394	3,396	9,790	-	9,790
<b>TOTAL CURRENT ASSETS</b>	<u>295,923</u>	<u>1,167,594</u>	<u>1,039,330</u>	<u>2,502,847</u>	<u>-</u>	<u>2,502,847</u>
<b>RESTRICTED ASSETS</b>						
Investments	<u>1,108,953</u>	<u>-</u>	<u>-</u>	<u>1,108,953</u>	<u>-</u>	<u>1,108,953</u>
<b>OTHER ASSETS</b>						
Future lease rents receivable	<u>1,485,000</u>	<u>-</u>	<u>-</u>	<u>1,485,000</u>	<u>(1,485,000)</u>	<u>-</u>
BOND DISCOUNT, net of accumulated amortization of \$21,775	<u>-</u>	<u>48,174</u>	<u>-</u>	<u>48,174</u>	<u>-</u>	<u>48,174</u>
CAPITAL ASSETS, net of accumulated depreciation of \$13,167,956	<u>-</u>	<u>5,753,412</u>	<u>-</u>	<u>5,753,412</u>	<u>-</u>	<u>5,753,412</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,889,876</u>	<u>\$ 6,969,180</u>	<u>\$ 1,039,330</u>	<u>\$ 10,898,386</u>	<u>\$ (1,485,000)</u>	<u>\$ 9,413,386</u>

	Enterprise Funds			Totals	Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund			
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ -	\$ 84,734	\$ 2,374	\$ 87,108	\$ -	\$ 87,108
Accrued interest	-	18,210	-	18,210	-	18,210
Current portion of long-term debt	100,000	-	-	100,000	-	100,000
Escrow deposits	64,565	-	-	64,565	-	64,565
Due to other funds	-	29,496	-	29,496	-	29,496
<b>TOTAL CURRENT LIABILITIES</b>	<b>164,565</b>	<b>132,440</b>	<b>2,374</b>	<b>299,379</b>	<b>-</b>	<b>299,379</b>
 LONG-TERM DEBT, less current portion	 1,385,000	 1,485,000	 -	 2,870,000	 (1,485,000)	 1,385,000
NET ASSETS						
Invested in capital assets, net of related debt	-	4,268,412	-	4,268,412	-	4,268,412
Unrestricted	1,340,311	1,083,328	1,036,956	3,460,595	-	3,460,595
<b>TOTAL NET ASSETS</b>	<b>1,340,311</b>	<b>5,351,740</b>	<b>1,036,956</b>	<b>7,729,007</b>	<b>-</b>	<b>7,729,007</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 2,889,876</b>	 <b>\$ 6,969,180</b>	 <b>\$ 1,039,330</b>	 <b>\$ 10,898,386</b>	 <b>\$ (1,485,000)</b>	 <b>\$ 9,413,386</b>

**TOWNSHIP OF LOWER GWYNEDD**

COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended December 31, 2008

	Enterprise Funds			Totals	Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund			
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 2,069,296	\$ -	\$ 2,069,296	\$ -	\$ 2,069,296
Fees	82,250	-	-	82,250	-	82,250
Interest on capital lease financing	39,998	-	-	39,998	(39,998)	-
Other operating revenues	-	9,955	-	9,955	-	9,955
<b>TOTAL OPERATING REVENUES</b>	<u>122,248</u>	<u>2,079,251</u>	<u>-</u>	<u>2,201,499</u>	<u>(39,998)</u>	<u>2,161,501</u>
<b>OPERATING EXPENSES</b>						
Professional fees	40,903	691	-	41,594	-	41,594
Engineering	242,209	-	-	242,209	-	242,209
Rent	-	88,270	-	88,270	-	88,270
General operating expenses	-	672,539	-	672,539	-	672,539
Insurance	-	177,665	-	177,665	-	177,665
Workmen's compensation	-	16,113	-	16,113	-	16,113
Depreciation	-	744,814	-	744,814	-	744,814
Miscellaneous	-	-	521	521	-	521
Capital charges	284,047	-	22,675	306,722	(284,047)	22,675
Treatment expenses	-	937,716	-	937,716	-	937,716
<b>TOTAL OPERATING EXPENSES</b>	<u>567,159</u>	<u>2,637,808</u>	<u>23,196</u>	<u>3,228,163</u>	<u>(284,047)</u>	<u>2,944,116</u>
<b>OPERATING LOSS</b>	<u>(444,911)</u>	<u>(558,557)</u>	<u>(23,196)</u>	<u>(1,026,664)</u>	<u>244,049</u>	<u>(782,615)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest expense	(65,342)	(39,998)	-	(105,340)	39,998	(65,342)
Interest and investment income	28,134	44,314	49,562	122,010	-	122,010
Proceeds from sale of fixed assets	-	10,000	-	10,000	-	10,000
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(37,208)</u>	<u>14,316</u>	<u>49,562</u>	<u>26,670</u>	<u>39,998</u>	<u>66,668</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS FORWARD</b>	<u>\$ (482,119)</u>	<u>\$ (544,241)</u>	<u>\$ 26,366</u>	<u>\$ (999,994)</u>	<u>\$ 284,047</u>	<u>\$ (715,947)</u>

**TOWNSHIP OF LOWER GWYNEDD**

COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended December 31, 2008

	Enterprise Funds			Totals	Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund			
INCOME (LOSS) BEFORE OPERATING TRANSFERS FORWARDED	\$ <u>(482,119)</u>	\$ <u>(544,241)</u>	\$ <u>26,366</u>	\$ <u>(999,994)</u>	\$ <u>284,047</u>	\$ <u>(715,947)</u>
OPERATING TRANSFERS						
Operating transfers in	-	196,170	-	196,170	(196,170)	-
Operating transfers out	-	(87,933)	(198,170)	(286,103)	196,170	(89,933)
TOTAL OPERATING TRANSFERS	<u>-</u>	<u>108,237</u>	<u>(198,170)</u>	<u>(89,933)</u>	<u>-</u>	<u>(89,933)</u>
CHANGE IN NET ASSETS	(482,119)	(436,004)	(171,804)	(1,089,927)	284,047	(805,880)
CONTRIBUTED CAPITAL	141,103	384,047	-	525,150	(284,047)	241,103
NET ASSETS AT BEGINNING OF YEAR	<u>1,681,327</u>	<u>5,403,697</u>	<u>1,208,760</u>	<u>8,293,784</u>	<u>-</u>	<u>8,293,784</u>
NET ASSETS AT END OF YEAR	\$ <u><u>1,340,311</u></u>	\$ <u><u>5,351,740</u></u>	\$ <u><u>1,036,956</u></u>	\$ <u><u>7,729,007</u></u>	\$ <u><u>-</u></u>	\$ <u><u>7,729,007</u></u>

**TOWNSHIP OF LOWER GWYNEDD**  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2008

	Enterprise Funds			Totals	Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from users	\$ 82,250	\$ 2,052,600	\$ -	\$ 2,134,850	\$ -	\$ 2,134,850
Payments to and on behalf on employees	-	(563,196)	-	(563,196)	-	(563,196)
Payments to vendors and others	(525,744)	(1,279,364)	(23,311)	(1,828,419)	244,049	(1,584,370)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(443,494)	210,040	(23,311)	(256,765)	244,049	(12,716)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Contributed capital	141,103	384,047	-	525,150	(284,047)	241,103
Principal payments	-	(100,000)	-	(100,000)	-	(100,000)
Interest payments	(65,342)	(39,998)	-	(105,340)	39,998	(65,342)
Operating transfers to other funds	-	(87,933)	(198,170)	(286,103)	196,170	(89,933)
Operating transfers from other funds	-	223,960	-	223,960	(196,170)	27,790
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	75,761	380,076	(198,170)	257,667	(244,049)	13,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of equipment	-	(469,248)	-	(469,248)	-	(469,248)
Change in investments	361,028	-	-	361,028	-	361,028
Investment income	28,134	39,230	49,723	117,087	-	117,087
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	389,162	(430,018)	49,723	8,867	-	8,867
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	21,429	160,098	(171,758)	9,769	-	9,769
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	188,228	962,637	1,207,692	2,358,557	-	2,358,557
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 209,657	\$ 1,122,735	\$ 1,035,934	\$ 2,368,326	\$ -	\$ 2,368,326

**TOWNSHIP OF LOWER GWYNEDD**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2008*

	Enterprise Funds			Eliminations	Total Proprietary Funds
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund		
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating loss	\$ (444,911)	\$ (558,557)	\$ (23,196)	\$ (1,026,664)	\$ (782,615)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities					
Depreciation	-	744,814	-	744,814	744,814
Amortization of discount	-	4,115	-	4,115	4,115
(Increase) decrease in					
Receivables, net	21,030	(31,735)	-	(10,705)	(10,705)
Prepaid expenses	-	(322)	-	(322)	(322)
Increase (decrease) in					
Accounts payable and accrued expenses	-	51,725	(115)	51,610	51,610
Escrow deposits	(19,613)	-	-	(19,613)	(19,613)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (443,494)</b>	<b>\$ 210,040</b>	<b>\$ (23,311)</b>	<b>\$ (256,765)</b>	<b>\$ (12,716)</b>

**TOWNSHIP OF LOWER GWYNEDD**  
**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*December 31, 2008*

	Pension Trust Funds		
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Totals
<b>ASSETS</b>			
Cash	\$ 387,956	\$ 997,785	\$ 1,385,741
Investments	813,330	2,868,785	3,682,115
<b>TOTAL ASSETS</b>	<b>\$ 1,201,286</b>	<b>\$ 3,866,570</b>	<b>\$ 5,067,856</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,970	\$ 10,270	\$ 13,240
<b>NET ASSETS</b>			
Held in trust for pension benefits	1,198,316	3,856,300	5,054,616
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,201,286</b>	<b>\$ 3,866,570</b>	<b>\$ 5,067,856</b>

**TOWNSHIP OF LOWER GWYNEDD**

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year Ended December 31, 2008

	Pension Trust Funds		
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Totals
<b>ADDITIONS</b>			
Interest	\$ 43,272	\$ 138,140	\$ 181,412
Member contributions	<u>-</u>	<u>73,151</u>	<u>73,151</u>
<b>TOTAL ADDITIONS</b>	<u>43,272</u>	<u>211,291</u>	<u>254,563</u>
<b>DEDUCTIONS</b>			
Employee benefit payments	26,918	341,021	367,939
Loss on investments	440,673	1,581,354	2,022,027
Other expenses	<u>12,400</u>	<u>40,621</u>	<u>53,021</u>
<b>TOTAL DEDUCTIONS</b>	<u>479,991</u>	<u>1,962,996</u>	<u>2,442,987</u>
<b>CHANGE IN NET ASSETS</b>	(436,719)	(1,751,705)	(2,188,424)
<b>TRANSFERS IN FROM GENERAL FUND</b>	239,375	550,418	789,793
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,395,660</u>	<u>5,057,587</u>	<u>6,453,247</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,198,316</u>	<u>\$ 3,856,300</u>	<u>\$ 5,054,616</u>



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## **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 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, Spring House, Pennsylvania, as of and for the year ended December 31, 2008, which collectively comprise the Township of Lower Gwynedd, Spring House, Pennsylvania's basic financial statements and have issued our report thereon dated May 1, 2009. 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.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Township of Lower Gwynedd, Spring House, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures 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, Spring House, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Lower Gwynedd, Spring House, Pennsylvania's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Lower Gwynedd, Spring House, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Lower Gwynedd, Spring House, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by the Township of Lower Gwynedd, Spring House, Pennsylvania's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Lower Gwynedd, Spring House, Pennsylvania's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Township of Lower Gwynedd, Spring House, Pennsylvania's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, others within the Township, the Board of Supervisors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maillo Falcone + Company, LLP*

Oaks, Pennsylvania  
May 1, 2009