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**LOWER GWYNEDD TOWNSHIP**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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LOWER GWYNEDD TOWNSHIP

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

August 27, 2020

Board of Supervisors  
Lower Gwynedd Township  
Spring House, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township ("the Township"), Spring House, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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 Lower Gwynedd Township, Spring House, Pennsylvania, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Traffic Impact Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lower Gwynedd Township's December 31, 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated July 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17; and trend data on infrastructure condition; schedules of changes in the Township's net pension liability (asset), related ratios, and investment returns; schedule of changes in the Township's net OPEB liability, related ratios, and investment returns; and schedules of employer contributions on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

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about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, on our consideration of the Township'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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
DECEMBER 31, 2019**

Our discussion and analysis of Lower Gwynedd Township's ("the Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Position.

**FINANCIAL HIGHLIGHTS**

- The net position of the Township increased by \$2,559,040 to end the year at \$50,661,625. Of this amount, \$12,010,975 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The Township's unrestricted net position increased by \$1,868,936 from 2018.
- As of December 31, 2019, the fund balance for the General Fund was \$4,300,012 compared to \$4,514,676 at December 31, 2018. The Township has a fund balance policy target range of 25 percent - 35 percent of budgeted expenditures. Any excess balances are transferred to one of the Township's capital projects funds in the next fiscal year unless otherwise designated by the Board of Supervisors.
- The combined net pension asset for the Police Pension and Non-Uniformed Pension plans totaled \$668,447 at December 31, 2019, compared to a net pension liability of \$2,976,493 at the end of 2018.
- Other postemployment healthcare benefits ("OPEB") net liability amounted to \$284,667 at December 31, 2019, compared to \$673,895 at December 31, 2018.
- At the end of 2019, the Township's debt decreased by \$296,671, ending the year at \$23,224.
- The Township's current debt rating remains at Aaa by Moody's Investors Service.
- The Township's 2019 total real estate tax rate of 1.223 mills has remained the same since 2012.

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

Management's Discussion and Analysis ("MD&A"), prepared by the Township's management, provides an overview that users of the financial statements need to interpret the basic financial statements. The



**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

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

- The *Statement of Net Position* focuses on resources available for future operations. This statement presents a snapshot view of the Township's assets and deferred outflows of resources, its liabilities and deferred inflows of resources, and the net difference.
- The *Statement of Activities* focuses on gross and net costs of the Township's 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.
- The Fund Financial Statements focus separately on Governmental Funds, Proprietary Funds, and Fiduciary Funds. The 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 Funds follow the Governmental Funds and include net position; revenues, expenses, and changes in net position; and cash flows. The Proprietary Funds represent the Township's Enterprise Operating Fund and Sewer Reserve Fund, and can be found in more detail beginning with the Statement of Net Position, Proprietary Fund. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.
- The Notes to the Basic Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.
- Other Required Supplementary Information ("RSI") is additional information consisting of trend data on infrastructure condition; the schedules of changes in the Township's net pension and OPEB liabilities, related ratios, and investment returns; and the schedules of employer pension and OPEB contributions.
- Other Supplementary Information consists of the following:
  - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Governmental Funds.
  - Combining Statement of Net Position and Combining Statement of Changes in Net Position for Fiduciary Funds.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

**REPORTING THE TOWNSHIP AS A WHOLE**

**Statement of Net Position and Statement of Activities**

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

These two statements report the Township's net position and changes in it during the year. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. Readers 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, the Township is divided 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 taxes, earned income and business taxes, fees and charges, and grants finance most of these activities.
- ***Business-type Activities*** – The Township charges a fee to customers to cover all or most of the cost of services it provides. The Township's sewer system is reported here.

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,661,625 at the close of 2019, an increase of \$2,599,040 from the previous year.

**Table 1  
STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 9,804,351	\$ 9,548,494	\$ 4,870,284	\$ 4,230,194	\$14,674,635	\$13,778,688
Other assets	1,046,359	1,306,789	212,056	215,730	1,258,415	1,522,519
Internal balances	87,069	47,162	(87,069)	(47,162)	-	-
Capital assets	33,468,712	33,588,209	3,235,898	3,449,603	36,704,610	37,037,812
Net pension asset	668,447	-	-	-	668,447	-
<b>Total Assets</b>	<b>45,074,938</b>	<b>44,490,654</b>	<b>8,231,169</b>	<b>7,848,365</b>	<b>53,306,107</b>	<b>52,339,019</b>

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

**Table 1  
STATEMENT OF NET POSITION**

<i>(cont'd)</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Deferred Outflows of Resources</b>	201,523	1,133,534	-	-	201,523	1,133,534
<b>Liabilities:</b>						
Current liabilities	385,350	852,244	352,811	715,828	738,161	1,568,072
Long-term debt, net	-	23,224	-	-	-	23,224
Other liabilities	284,667	3,650,388	-	-	284,667	3,650,388
<b>Total Liabilities</b>	670,017	4,525,856	352,811	715,828	1,022,828	5,241,684
<b>Deferred Inflows of Resources</b>	1,823,177	128,284	-	-	128,284	128,284
<b>Net Position:</b>						
Net investment in capital assets	33,445,488	33,268,314	3,235,898	3,449,603	36,681,386	36,717,917
Restricted	1,969,264	1,242,629	-	-	1,969,264	1,242,629
Unrestricted	7,368,515	6,459,105	4,642,460	3,682,934	12,010,975	10,142,039
<b>TOTAL NET POSITION</b>	\$42,783,267	\$40,970,048	\$ 7,878,358	\$ 7,132,537	\$50,661,625	\$48,102,585

The largest portion of the Township's net position, \$36,681,386, or 72.4 percent, 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 cash equivalents of \$14,674,635 represent 27.5 percent of the Township's total assets.

**Other Assets** – Governmental activities include taxes receivable of \$804,537 (generally received within the first 60 days of the next fiscal year) along with accounts receivable of \$217,434, interest receivable of \$425, and prepaid expenses of \$23,963.

Deferred inflows and outflows of resources result from accounting for the Township's defined benefit pension plans per GASB 68 rules and the Township's OPEB plan per GASB Statement No. 75 rules, both of which are further addressed in the notes section of the financial statements.

**Long-term Debt** – Total long-term debt (the long-term portion of bonds payable and note payable) fell to \$0 at December 31, 2019, a decrease of \$23,224 from the previous year as the final loan payment to Montgomery County will be made in early 2020. The final payment on the Township's 2011 bond issue was made in early 2019. Proceeds of the bond issue were used to finance two major projects; the expansion of the municipal complex and construction of Pen-Ambler Park, which are now completed. Funds from the bond proceeds which were originally budgeted for a new Fire/Ambulance Sub-Station

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

were reallocated for the installation of an emergency generator at the Township building. Due to unexpected difficulties in acquiring land, the construction of the Fire/Ambulance Sub-Station has been postponed.

Assets in the business-type activities column reflect the Township's investment in its sewer system. Cash and cash equivalents represent 59.2 percent of the Township's total business-type assets, which will allow for future investment in the sewer system. The Township operates and maintains three pumping stations, five metering stations, and 147 miles of sewer lines.

***Governmental Activities***

The Township generates governmental revenues from a variety of sources as described in the Statement of Changes in Net Position. Total revenue, excluding interfund transfers, for governmental activities for fiscal 2019 was \$10,333,337, down \$973,482 from 2018, primarily due to decreases in real estate transfer taxes, earned income tax collections, and contributions to the Township.

The Township's governmental activities recognized a net increase of \$1,813,219, and the business-type activities recognized a net increase of \$745,821. The total increase of net position for the Township was \$2,559,040.

Table 2 shows the changes in net position for the years ended December 31, 2019 and 2018.

**Table 2  
STATEMENT OF CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,128,969	\$ 1,258,899	\$ 2,988,910	\$ 3,077,110	\$ 4,117,879	\$ 4,336,009
Operating and capital grants and contributions	959,283	1,324,643	-	-	959,283	1,324,643
General revenues:						
Property taxes	1,693,397	1,676,871	-	-	1,693,397	1,676,871
Transfer taxes	440,543	633,583	-	-	440,543	633,583
Earned income tax	4,667,100	5,031,337	-	-	4,667,100	5,031,337
Local service tax	387,083	373,409	-	-	387,083	373,409
Business privilege tax	291,659	319,723	-	-	291,659	319,723
Mercantile tax	168,514	163,596	-	-	168,514	163,596
Cable TV franchise fees	298,125	299,550	-	-	298,125	299,550
Investment income	269,295	217,473	82,834	53,626	352,129	271,099
Gain on sale or disposal of assets	-	1,700	402	53,402	402	55,102
Miscellaneous	29,369	13,435	-	-	29,369	13,435
<b>TOTAL REVENUES</b>	<b>10,333,337</b>	<b>11,314,219</b>	<b>3,072,146</b>	<b>3,184,138</b>	<b>13,405,483</b>	<b>14,498,357</b>

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

**Table 2  
STATEMENT OF CHANGES IN NET POSITION**

<i>(cont'd)</i>	Governmental Activities		Busines-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>EXPENSES</b>						
General government	1,483,474	1,640,976	-	-	1,483,474	1,640,976
Public safety	4,217,170	4,449,148	-	-	4,217,170	4,449,148
Public works - highways and streets	1,308,424	1,702,975	-	-	1,308,424	1,702,975
Culture and recreation	437,432	483,054	-	-	437,432	483,054
Insurance	61,140	91,302	-	-	61,140	91,302
Workmen's compensation	89,530	141,907	-	-	89,530	141,907
Payments to fire companies	316,362	246,078	-	-	316,362	246,078
Interest on long-term debt	(1,200)	5,848	-	-	(1,200)	5,848
Depreciation, unallocated	677,867	750,540	-	-	677,867	750,540
Sewer	-	-	2,256,244	2,321,001	2,256,244	2,321,001
<b>TOTAL EXPENSES</b>	<b>8,590,199</b>	<b>9,511,828</b>	<b>2,256,244</b>	<b>2,321,001</b>	<b>10,846,443</b>	<b>11,832,829</b>
Change in net position before interfund transfers	1,743,138	1,802,391	815,902	863,137	2,559,040	2,665,528
Interfund transfers, net	70,081	103,551	(70,081)	(103,551)	-	-
<b>CHANGE IN NET POSITION</b>	<b>1,813,219</b>	<b>1,905,942</b>	<b>745,821</b>	<b>759,586</b>	<b>2,559,040</b>	<b>2,665,528</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>40,970,048</b>	<b>39,064,106</b>	<b>7,132,537</b>	<b>6,372,951</b>	<b>48,102,585</b>	<b>45,437,057</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$42,783,267</b>	<b>\$40,970,048</b>	<b>\$ 7,878,358</b>	<b>\$ 7,132,537</b>	<b>\$50,661,625</b>	<b>\$48,102,585</b>

The cost of all governmental activities this year was \$8,590,199. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$7,648,296.

As indicated above, public safety programs account for 49.1 percent of the Township's governmental activities. General administration and public works - highways and streets services account for approximately 17.3 percent and 15.2 percent, respectively, of the total governmental expenditures for 2019.

Property 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 make up approximately 16.4 percent and 4.3 percent of total governmental general revenues, respectively. Earned income taxes represent 45.1 percent of the governmental general revenues. Below are charts showing the current and prior years of real estate tax, transfer tax, and earned income tax receipts.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

**Real Estate Tax**

Year	Assessment	Rate of Change	Change in Assessment	Millage	Assessed Change	Increase in Tax Billed	Tax Billed	Tax Collected at Face
2019	\$ 1,368,358,400	100.61%	\$ 8,334,170	1.223	\$ 10,193	\$ 10,193	\$ 1,690,532	\$ 16,676,775
2018	1,360,024,230	99.23%	(10,551,390)	1.223	(12,904)	(12,970)	1,680,339	1,663,889
2017	1,370,575,620	99.91%	(1,218,610)	1.223	(1,490)	(1,490)	1,693,309	1,677,274
2016	1,371,794,230	100.08%	1,090,770	1.223	1,334	1,325	1,694,799	1,680,444
2015	1,370,703,460	100.59%	8,072,250	1.223	9,872	9,871	1,693,474	1,672,764
2014	1,362,631,210	100.29%	3,975,040	1.223	4,861	4,883	1,683,603	1,667,774
2013	1,358,656,170	100.02%	298,810	1.223	365	368	1,678,720	1,664,184
2012	1,358,357,360	99.46%	(7,357,590)	1.223	(8,998)	136,634	1,678,352	1,658,396
2011	1,365,714,950	101.12%	15,155,000	1.117	16,928	17,215	1,541,718	1,526,595
2010	1,350,559,950	100.19%	2,566,120	1.117	2,866	2,867	1,524,503	1,512,425

**Real Estate Transfer Tax**

2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
\$ 440,543	\$ 633,583	\$ 589,458	\$ 496,825	\$ 957,264	\$ 385,405	\$ 441,549	\$ 341,354	\$ 296,300	\$ 318,563

**Earned Income Tax**

2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
\$4,667,100	\$5,031,337	\$4,569,507	\$4,287,721	\$4,293,239	\$4,194,837	\$4,233,540	\$3,463,874	\$2,865,290	\$3,053,273

**Pension and OPEB**

The Township currently has three pension plans which benefit full-time employees; a defined benefit plan for non-uniformed employees hired before 2014, a defined contribution plan for non-uniformed employees hired on or after January 1, 2014, and a defined benefit plan for police officers. The Township also has an OPEB plan for police officers.

In 2015, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions." The purpose of this statement is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials and participants) will be required to evaluate the cost of providing these benefits.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

GASB Statement No. 68 has shifted pension reporting from a funding-based approach, in which the Township reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the Township reports the net pension liability and net pension assets on the statement of net position of the government-wide financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements. The combined net pension asset for the Police Pension and Non-Uniformed Pension plans totaled \$668,447 at December 31, 2019, compared to a net pension liability of \$2,976,493 at the end of 2018. This was primarily due to strong market performance in 2019 and \$612,456 in additional contributions to the plans in excess of the actuarially determined minimum municipal obligations (MMOs).

The net pension asset is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return of 7.5 percent on plan investments.

In 2018, the Township implemented GASB Statement No. 75, which changed the way the Township accounts for and reports on OPEB. The Township currently provides postemployment healthcare benefits for its police officers. As of December 31, 2019, the net OPEB liability was \$284,667, a decrease of \$389,228 from the previous year due to strong market performance and \$225,000 in contributions to the plan. These two GASB statements are intended to more accurately account for future liabilities and enhance transparency through additional note requirements in the financial statements.

**Business-type Activities**

The Township sewer system was constructed by the Lower Gwynedd Township Municipal Authority at the request of the Township's Board of Supervisors. On December 16, 2015, the Authority's 2003 Bonds were redeemed with the intention to dissolve the Authority, which occurred on April 7, 2016. The Township is now directly responsible for the operation, maintenance, and repair of the sewer system. Fiscal 2017 was the first full year of Township control of the sewer system after the Authority was dissolved. All expenses associated with the sewer system are accounted for in the Sewer Fund. Total revenue from Sewer Fund operations was \$2,988,910, a decrease of \$88,200 from the previous year. In 2019, sewer fund revenues exceed expenditures and transfers out by \$745,821. Sewer rates for 2019 were based on metered water consumption at \$88.00 for 12,000 gallons and \$5.80 per additional 1,000 gallons per quarter. Sewer rates were last raised 10 percent beginning January 1, 2017. Prior to the 2017 rate increase, rates remained unchanged since July 2010.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budget amendments fall into two categories: transfers or supplemental appropriations. Unencumbered funds may also be transferred from one account to another after April 1 of the budget year in accordance with the Pennsylvania Second Class Township Code. Transfers are made between budget line items, and supplemental appropriations are funded either through unencumbered reserves or the

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

receipt of unanticipated revenues. The following is a brief summary of approved budget amendments from the original Township budget adopted for fiscal 2019:

**Significant General Fund Revenue Budget Amendments**

- *Real estate transfer tax budget decrease:* Real estate transfer taxes collected fall short the original amount budgeted by \$41,653. Real estate transfer taxes are hard to predict and, thus, the Township has taken a conservative approach to budgeting this line item.
- *Interest earnings increase:* Interest earnings exceeded budget by \$39,836 due to rates being higher than anticipated and tighter cash management.
- *State pension aid increase:* State pension aid exceeded budget by \$62,455 as a result of conservative budgeting.
- *State recycling funds increase:* State recycling funds exceeded budget by \$41,172 as the state caught up on processing prior year submissions.
- *Building permit fee increase:* Building permit fees related to large scale commercial developments in the amount of \$41,653 were received above the amount originally budgeted. The related expenses, which primarily consist of inspection fees, may occur several months after the building permit has been paid for.

**Significant General Fund Expense and Other Financing Uses Budget Amendments**

- *Transfers:* General Fund transfers (out) to the Capital Reserve Fund (in) exceeded the amount originally budgeted by \$450,380. The additional amount transferred was a result of the Township's fund balance policy requiring fund balances in excess of 35 percent of future anticipated expenses to be transferred to a capital reserve fund unless otherwise designated by the Board of Supervisors. Additionally, General Fund transfers out to the Police Pension Plan, Non-Uniformed Pension Plan, and OPEB Plans of \$500,000, \$67,488, and \$200,000, respectively, were designated by the Board of Supervisors under this policy.
- *Engineering expense increase:* Engineering services in the General Fund were increased by \$21,331 to account for additional work ordered by the Township.
- *Finance salaries increase:* Finance salaries in the General Fund exceeded budget primarily due to the filling of the Finance Director position that was not budgeted. The contracted interim Finance Director had been budgeted to Professional Services.
- *Wages transferred:* General Fund wages for the highway crew were increased by \$38,001 and decreased by a similar amount in the snow and ice removal category as less resources were allocated due to the mild winter.



**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

**Capital Assets and Debt Administration**

***Capital Assets***

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2019 total \$33,468,712 and \$3,235,898, respectively, (net of accumulated depreciation). The Township's investment in capital assets includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements, and infrastructure (see following table). Infrastructure includes roads, bridges, storm sewers, and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations, and equipment.

**CAPITAL ASSETS  
(Net of Accumulated Depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$11,242,736	\$11,242,736	\$ -	\$ -	\$11,242,736	\$11,242,736
Construction-in-progress	322,816	231,984	-	-	322,816	231,984
Buildings and improvements	3,578,158	3,753,052	-	-	3,578,158	3,753,052
Furniture and equipment	1,037,801	984,219	-	-	1,037,801	984,219
Infrastructure	17,287,201	17,376,218	-	-	17,287,201	17,376,218
Sewer system and equipment	-	-	3,235,898	3,449,603	3,235,898	3,449,603
	<u>\$33,468,712</u>	<u>\$33,588,209</u>	<u>\$ 3,235,898</u>	<u>\$ 3,449,603</u>	<u>\$36,704,610</u>	<u>\$37,037,812</u>

Significant capital asset additions within the governmental and business-type activities included the following purchases and project expenditures:

**Governmental Activities:**

Municipal complex improvements	\$ 48,785
Traffic signal improvement	7,066
Park improvements – court resurfacing, other	150,010
Electric vehicle charging stations	22,074
Police vehicles	95,277
Police equipment	26,195
Computer system upgrades	46,253
Public works trucks and trailer	71,878
Spring House intersection improvements	90,832

**Business-type Activities:**

Trucks and trailer	\$ 71,878
Facility and computer upgrades	24,658

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

Building and improvements, equipment, and infrastructure of the primary government 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 the Township to record the current costs of preserving eligible infrastructure in lieu of depreciation. The Township streets are maintained at a high standard, and the related 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 3 of the financial statements.

***Debt***

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

At year-end for the governmental activities, the Township's debt was \$23,224 compared to \$319,895 the previous year. The portion that is due within one year for governmental activities is \$23,224. There is no debt for the business-type activities.

**OUTSTANDING DEBT**

	<b>Bonds and Notes Payable</b>	
	<b>2019</b>	<b>2018</b>
Governmental activities	\$ 23,224	\$ 319,895
<b>TOTAL</b>	<b>\$ 23,224</b>	<b>\$ 319,895</b>

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

**Economic Factors**

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

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

The Township is home to Gwynedd Mercy University; Wissahickon High, Middle, and Elementary Schools; as well as the prestigious Gwynedd Mercy Academy Elementary and High Schools. Wissahickon High

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

School is ranked 11<sup>th</sup> of all Pennsylvania high schools in the most recent U.S. News and World Report rankings. These schools provide convenient and close access to highly rated public and private educational institutions. Strong local industries and 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 Janssen Pharmaceutical Companies, a subsidiary of Johnson & Johnson. Other noted employers in the Township are Wissahickon School District, Acts Retirement Life Community, Foulkeways at Gwynedd, and Country Inn Associates (a.k.a. The William Penn Inn).

Merck & Co. (Pharmaceutical) has a manufacturing and research facility located in West Point, PA, approximately five miles West of Lower Gwynedd Township, where in excess of 9,000 people are employed on a 400-acre campus.

Gwynedd Mercy University recently purchased a 130-acre site located on Sumneytown Pike in Lower Gwynedd Township from Merck & Co., where the university plans an expansion of their campus. In addition, a former Dow Chemical site on Norristown Road is currently under redevelopment by the MRA Group. MRA has named the new high-tech office and manufacturing facility "Spring House Innovation Park" and has been successful in attracting new companies to the location. This parcel is approximately 133 acres and is located in the Township near the intersection of Norristown Road and Route 309.

Ambler Yards has recently (2015) acquired a 25-acre site in the Township located on our border with Ambler Borough. Ambler Yards is in the process of rehabbing the site and the 14 buildings of the former BASF chemical plant into shared workspaces. Their innovative designs and added amenities have attracted more than 25 companies, employing over 350 people. When fully leased, there will be approximately 30 employers who will bring upwards of 600 people to the shared work environment they provide.

The Township's population has grown steadily over the past 25 years. According to the U.S. Census Bureau, the population in 1980 was 6,902. In 2000, the population was counted at 10,422 with 4,360 dwelling units. In 2010, the Township's population was 11,405 with 4,906 dwelling units. In 2015, the estimated population was 11,548 people. The Montgomery County Planning Commission is projecting that the Township's population will grow to 12,651 by 2045.

The Township continues to attract high-end residential development. According to the Montgomery County Planning Commission, the median sale price for all housing units, new and resale, in the Township for 2019 was \$483,000 compared to the median sale price of \$310,000 in Montgomery County. This is consistent with income levels, as nearly 50 percent of all households in the Township have incomes in excess of \$100,000. According to the Delaware Valley Regional Planning Commission ("DVRPC"), 9,429 people work in the Township as of 2015. These statistics all bode well for the Township's tax base and revenue stream.

**Next Year's Budget**

The Township uses a conservative approach to budgeting which entails budgeting at the lower end of an acceptable range for revenues. If revenues exceed projection, the excess is transferred to the capital budgets per the Township's fund balance policy. The local economy has thrived over the past

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

few years, and this conservative budgeting approach has resulted in additional cash reserves in the General Fund and Capital Reserve Funds. The reserves will help the Township weather future economic uncertainties and also pay for both anticipated and unanticipated capital expenditures.

Receipts are monitored closely in order to proactively adjust to economic conditions. The Township had a modest real estate tax increase in 2012 from 1.117 mills to 1.223 mills and no increase since then.

The 2020 Budget and Fiscal Plan was approved by the Board of Supervisors in December 2019 with no real estate tax increase. The 2020 General Fund budget expenditures total \$8,698,715, a decrease of 3.4 percent from the 2019 General Fund budget. A property assessed at \$350,000 will pay \$428.05 in Township real estate taxes in 2020.

The 2020 fiscal plan includes the following:

- No tax increases.
- A 3 percent wage increase for non-uniformed personnel and a 3.5 percent increase for police officer wages in accordance with an arbitration award issued on May 22, 2019.
- Fifty-three percent of General Fund revenues will be derived from the EIT in 2020. All Pennsylvania municipalities have limited taxing options for taxing sources which are established by the Commonwealth in the various municipal codes. These limited options result in a strong reliance on EIT, which could result in unanticipated shortfalls should there be an economic recession similar to the one experienced nationally in 2008. To lessen the impact of any unforeseen economic downturn, the Township has adopted a fund balance policy which provides for 35 percent of future anticipated expenditures to be reserved as unassigned fund balance.
- A contribution of \$477,270 to the Police Pension Fund and a contribution of \$186,052 to the Non-Uniformed Pension Fund, both from the General Fund, are included in the 2020 budget.
- The 2020 General Fund budget includes a transfer of \$500,000 from the General Fund to the Open Space Fund where the funds will be used for future open space purchases.
- The 2020 General Fund budget includes a transfer of \$500,000 from the General Fund to the Capital Reserve Fund where the funds will be used to maintain and enhance the Township's road and public infrastructure.
- The 2020 General Fund Budget includes a \$25,000 contribution to the OPEB plan.
- As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Township's income in 2020. Other financial impacts could occur though such potential impact is unknown at this time. The Township is closely monitoring tax revenues and has deferred non-essential capital projects until the financial impacts become clearer.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2019**

In conclusion, the Township's financial position continues to be strong. The 2020 Budget and Fiscal Plan includes the resources to continue to improve services while maintaining a strong balance sheet to meet future needs. The Township continues to adhere to its Fund Balance Policy and has been able to maintain its General Fund balance at the high end of the prescribed range of 25 percent to 35 percent of anticipated expenditures. We view this level of fund balance as necessary to better withstand a future economic slowdown, such as was experienced in 2008. We are cognizant that the current economic expansion the country is experiencing is long in comparison with past expansions and will inevitably end at some time.

**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, P.O. Box 625, Spring House, PA 19477-0625.

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

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**  
**(With Summarized Comparative Data for December 31, 2018)**

	Governmental Activities	Business-type Activities	Total	
			2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 9,804,351	\$ 4,694,459	\$ 14,498,810	\$ 13,581,093
Accounts receivable	217,434	-	217,434	100,707
Taxes receivable	804,537	-	804,537	1,174,555
Interest receivable	425	-	425	12,323
Sewer fees receivable	-	194,332	194,332	175,101
Assessments receivable, current	-	16,384	16,384	16,027
Internal balances	87,069	(87,069)	-	-
Prepaid expenses	23,963	-	23,963	30,358
<b>Total Current Assets</b>	<b>10,937,779</b>	<b>4,818,106</b>	<b>15,755,885</b>	<b>15,090,164</b>
Noncurrent Assets:				
Restricted cash	-	175,825	175,825	197,595
Assessments receivable	-	1,340	1,340	13,448
Capital assets:				
Land	11,242,736	-	11,242,736	11,242,736
Construction-in-progress	322,816	-	322,816	231,984
Buildings and building improvements	9,931,875	-	9,931,875	9,883,090
Furniture and equipment	3,114,044	-	3,114,044	2,947,725
Infrastructure	21,671,944	-	21,671,944	21,514,868
Sewer system and equipment	-	21,793,547	21,793,547	21,697,011
Accumulated depreciation	(12,814,703)	(18,557,649)	(31,372,352)	(30,479,602)
Net pension asset	668,447	-	668,447	-
<b>Total Noncurrent Assets</b>	<b>34,137,159</b>	<b>3,413,063</b>	<b>37,550,222</b>	<b>37,248,855</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to pensions	201,523	-	201,523	1,077,686
Deferred outflows relating to OPEB	-	-	-	55,848
<b>Total Deferred Outflows of Resources</b>	<b>201,523</b>	<b>-</b>	<b>201,523</b>	<b>1,133,534</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 45,276,461</b>	<b>\$ 8,231,169</b>	<b>\$ 53,507,630</b>	<b>\$ 53,472,553</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 354,726	\$ 176,986	\$ 531,712	\$ 1,071,579
Accrued interest	-	-	-	2,227
Escrow deposits	-	175,825	175,825	197,595
Deferred revenue	7,400	-	7,400	-
Bonds and note payable, net	23,224	-	23,224	296,671
<b>Total Current Liabilities</b>	<b>385,350</b>	<b>352,811</b>	<b>738,161</b>	<b>1,568,072</b>
Noncurrent Liabilities:				
Note payable	-	-	-	23,224
Net OPEB liability	284,667	-	284,667	673,895
Net pension liability	-	-	-	2,976,493
<b>Total Noncurrent Liabilities</b>	<b>284,667</b>	<b>-</b>	<b>284,667</b>	<b>3,673,612</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows relating to pensions	1,757,963	-	1,757,963	128,284
Deferred inflows relating to OPEB	65,214	-	65,214	-
<b>Total Deferred Inflows of Resources</b>	<b>1,823,177</b>	<b>-</b>	<b>1,823,177</b>	<b>128,284</b>
<b>NET POSITION</b>				
Net investment in capital assets	33,445,488	3,235,898	36,681,386	36,717,917
Restricted	1,969,264	-	1,969,264	1,242,629
Unrestricted	7,368,515	4,642,460	12,010,975	10,142,039
<b>Total Net Position</b>	<b>42,783,267</b>	<b>7,878,358</b>	<b>50,661,625</b>	<b>48,102,585</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 45,276,461</b>	<b>\$ 8,231,169</b>	<b>\$ 53,507,630</b>	<b>\$ 53,472,553</b>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:</b>						
General government	\$ 1,483,474	\$ 383,413	\$ -	\$ (925,186)	\$ -	\$ (1,070,372)
Public safety	4,217,170	690,740	-	(3,519,288)	-	(3,686,347)
Public works - highways and streets	1,308,424	4,437	-	(707,719)	-	(820,172)
Culture and recreation	437,432	50,379	20,758	(327,171)	-	(228,219)
Insurance	61,140	-	-	(61,140)	-	(91,302)
Workmen's Compensation	89,530	-	-	(89,530)	-	(141,907)
Payments to fire companies	316,362	-	-	(195,246)	-	(133,579)
Interest on long-term debt	(1,200)	-	-	1,200	-	(5,848)
Depreciation, unallocated	677,867	-	-	(677,867)	-	(750,540)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,590,199</b>	<b>1,128,969</b>	<b>20,758</b>	<b>(6,501,947)</b>	<b>-</b>	<b>(6,928,286)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Sewer	2,256,244	2,988,910	-	-	732,666	756,109
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,256,244</b>	<b>2,988,910</b>	<b>-</b>	<b>-</b>	<b>732,666</b>	<b>756,109</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,846,443</b>	<b>\$ 4,117,879</b>	<b>\$ 20,758</b>	<b>(6,501,947)</b>	<b>(5,769,281)</b>	<b>(6,172,177)</b>
<b>GENERAL REVENUES</b>						
Taxes:						
Property taxes				1,693,397	-	1,693,397
Transfer taxes				440,543	-	440,543
Earned income taxes				4,667,100	-	4,667,100
Local service tax				387,083	-	387,083
Business privilege and mercantile taxes				460,173	-	460,173
Cable TV franchise fees				298,125	-	298,125
Investment income				269,295	82,834	352,129
Interfund transfers				70,081	(70,081)	-
Sale of assets				-	402	402
Miscellaneous				29,369	-	29,369
<b>TOTAL GENERAL REVENUES</b>				<b>8,315,166</b>	<b>13,155</b>	<b>8,328,321</b>
<b>CHANGE IN NET POSITION</b>				<b>1,813,219</b>	<b>745,821</b>	<b>2,559,040</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>40,970,048</b>	<b>7,132,537</b>	<b>48,102,585</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 42,783,267</b>	<b>\$ 7,878,358</b>	<b>\$ 50,661,625</b>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**  
(With Summarized Comparative Data for December 31, 2018)

	General Fund	Open Space Fund	Capital Reserve Fund	Traffic Impact Fund	Other Governmental Funds	Totals	
						2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
Cash and cash equivalents	\$ 3,498,663	\$ 1,126,559	\$ 3,852,738	\$ 598,987	\$ 727,404	\$ 9,804,351	\$ 9,548,494
Accounts receivable	184,512	-	32,922	-	-	217,434	100,707
Taxes receivable, net	799,784	-	-	-	4,753	804,537	1,174,555
Interest receivable	262	-	163	-	-	425	10,144
Prepaid expenditures	23,963	-	-	-	-	23,963	21,383
Due from other funds	90,174	-	-	-	-	90,174	48,196
<b>TOTAL ASSETS</b>	<u>4,597,358</u>	<u>1,126,559</u>	<u>3,885,823</u>	<u>598,987</u>	<u>732,157</u>	<u>10,940,884</u>	<u>10,903,479</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Accounts payable and accrued expenses	289,946	300	37,043	10,068	17,369	354,726	553,346
Due to other funds	-	-	215	-	2,890	3,105	1,034
Deferred revenues	7,400	-	-	-	-	7,400	-
<b>TOTAL LIABILITIES</b>	<u>297,346</u>	<u>300</u>	<u>37,258</u>	<u>10,068</u>	<u>20,259</u>	<u>365,231</u>	<u>554,380</u>
<b>FUND BALANCES</b>							
Nonspendable	23,963	-	-	-	-	23,963	21,383
Restricted:							
Streets and highways	-	-	-	-	326,719	326,719	263,134
Street lighting	-	-	-	-	44,073	44,073	38,785
Fire protection	-	-	-	-	5,824	5,824	3,086
Fire hydrant	-	-	-	-	69,859	69,859	68,953
Recreation	-	-	-	-	265,416	265,416	197,214
Traffic impact fees	-	-	-	588,919	-	588,919	656,459
Debt service	-	-	-	-	7	7	14,998
Assigned:							
Capital projects	-	1,126,259	3,848,565	-	-	4,974,824	4,591,794
Unassigned	4,276,049	-	-	-	-	4,276,049	4,493,293
<b>TOTAL FUND BALANCES</b>	<u>4,300,012</u>	<u>1,126,259</u>	<u>3,848,565</u>	<u>588,919</u>	<u>711,898</u>	<u>10,575,653</u>	<u>10,349,099</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,597,358</u>	<u>\$ 1,126,559</u>	<u>\$ 3,885,823</u>	<u>\$ 598,987</u>	<u>\$ 732,157</u>	<u>\$ 10,940,884</u>	<u>\$ 10,903,479</u>

The accompanying notes are an integral part of these financial statements.



**LOWER GWYNEDD TOWNSHIP  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

TOTAL GOVERNMENTAL FUND BALANCES \$ 10,575,653

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 33,468,712

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Note payable	(23,224)
Net pension asset	668,447
Net OPEB liability	(284,667)

Deferred inflows and outflows of resources related to the Township's net pension asset and net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. Except for the differences between actual and expected investment returns, these amounts will be amortized over the estimated remaining average service life of the employees. Differences between actual and expected investment returns are amortized over a five-year period.

Deferred outflows relating to pensions	201,523
Deferred inflows relating to pensions	(1,757,963)
Deferred inflows relating to OPEB	<u>(65,214)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 42,783,267

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	General Fund	Open Space Fund	Capital Reserve Fund	Traffic Impact Fund	Other Governmental Funds	2019	2018
<b>REVENUES</b>							
Taxes	\$ 7,007,266	\$ -	\$ -	\$ -	\$ 641,030	\$ 7,648,296	\$ 8,198,519
Licenses and permits	354,085	-	-	-	-	354,085	356,125
Fines, forfeits, and costs	15,693	-	-	-	-	15,693	19,544
Interest and rents	375,640	25,325	78,983	14,958	22,218	517,124	459,193
Intergovernmental revenues	505,839	20,758	44,681	-	388,005	959,283	1,167,642
Charges for services/fees	738,144	-	-	8,334	63,009	809,487	941,061
Contributions	-	-	-	-	25	25	157,702
Miscellaneous revenue	1,391	-	-	-	-	1,391	1,791
<b>TOTAL REVENUES</b>	<b>8,998,058</b>	<b>46,083</b>	<b>123,664</b>	<b>23,292</b>	<b>1,114,287</b>	<b>10,305,384</b>	<b>11,301,577</b>
<b>EXPENDITURES</b>							
Current:							
General government	1,566,128	-	139,907	-	-	1,706,035	1,793,926
Public safety	5,283,898	-	154,653	-	-	5,438,551	4,675,030
Public works - highways and streets	857,447	-	303,336	90,832	419,775	1,671,390	2,360,697
Culture and recreation	9,332	42,307	99,143	-	465,210	615,992	594,974
Insurance	53,475	-	-	-	7,665	61,140	91,302
Workmen's Compensation	44,362	-	-	-	45,168	89,530	141,907
Payments to fire companies	-	-	-	-	316,362	316,362	246,078
Debt service	20,246	-	-	-	277,452	297,698	652,819
<b>TOTAL EXPENDITURES</b>	<b>7,834,888</b>	<b>42,307</b>	<b>697,039</b>	<b>90,832</b>	<b>1,531,632</b>	<b>10,196,698</b>	<b>10,556,733</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,163,170</b>	<b>3,776</b>	<b>(573,375)</b>	<b>(67,540)</b>	<b>(417,345)</b>	<b>108,686</b>	<b>744,844</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Refunds of prior year revenues	19,834	-	-	-	-	19,834	(7,717)
Interfund transfers in	42,534	-	950,380	-	517,369	1,510,283	1,457,312
Interfund transfers out	(1,440,202)	-	-	-	-	(1,440,202)	(1,353,761)
Proceeds from sale of assets	-	-	2,250	-	25,703	27,953	12,642
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,377,834)</b>	<b>-</b>	<b>952,630</b>	<b>-</b>	<b>543,072</b>	<b>117,868</b>	<b>108,476</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(214,664)</b>	<b>3,776</b>	<b>379,255</b>	<b>(67,540)</b>	<b>125,727</b>	<b>226,554</b>	<b>853,320</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,514,676</b>	<b>1,122,483</b>	<b>3,469,310</b>	<b>656,459</b>	<b>586,171</b>	<b>10,349,099</b>	<b>9,495,779</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,300,012</b>	<b>\$ 1,126,259</b>	<b>\$ 3,848,565</b>	<b>\$ 588,919</b>	<b>\$ 711,898</b>	<b>\$ 10,575,653</b>	<b>\$ 10,349,099</b>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 226,554

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 558,370	
Depreciation expense	<u>(677,867)</u>	(119,497)

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 296,671

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>2,227</u>	2,227
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OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 268,166

Pension expense in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 1,139,098

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,813,219

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 6,760,685	\$ 6,715,844	\$ 7,007,266	\$ 291,422
Licenses and permits	357,300	369,700	354,085	(15,615)
Fines, forfeits, and costs	21,000	15,665	15,693	28
Interest and rents	332,196	372,032	375,640	3,608
Intergovernmental revenues	374,763	498,990	505,839	6,849
Charges for services/fees	706,111	742,325	738,144	(4,181)
Contributions	-	-	-	-
Miscellaneous revenue	1,500	1,500	1,391	(109)
<b>TOTAL REVENUES</b>	<u>8,553,555</u>	<u>8,716,056</u>	<u>8,998,058</u>	<u>282,002</u>
<b>EXPENDITURES</b>				
General government	1,608,025	1,581,715	1,566,128	15,587
Public safety	4,507,036	5,268,342	5,283,898	(15,556)
Public works - highways and streets	817,217	859,736	857,447	2,289
Conservation	-	-	9,332	(9,332)
Insurance	53,476	53,476	53,475	1
Workmen's Compensation	40,881	40,881	44,362	(3,481)
Debt service	-	-	20,246	(20,246)
<b>TOTAL EXPENDITURES</b>	<u>7,026,635</u>	<u>7,804,150</u>	<u>7,834,888</u>	<u>(30,738)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,526,920</u>	<u>911,906</u>	<u>1,163,170</u>	<u>251,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunds of prior year expenditures	-	19,834	19,834	-
Interfund transfers in	42,535	42,535	42,534	1
Interfund transfers out	(992,018)	(1,442,398)	(1,440,202)	(2,196)
<b>TOTAL OTHER FINANCING USES</b>	<u>(949,483)</u>	<u>(1,380,029)</u>	<u>(1,377,834)</u>	<u>(2,195)</u>
<b>NET CHANGE IN FUND BALANCE</b>	577,437	(468,123)	(214,664)	249,069
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,514,676</u>	<u>4,514,676</u>	<u>4,514,676</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 5,092,113</u>	<u>\$ 4,046,553</u>	<u>\$ 4,300,012</u>	<u>\$ 249,069</u>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - TRAFFIC IMPACT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest and rents	\$ 14,160	\$ 14,160	\$ 14,958	\$ 798
Intergovernmental revenues	1,163,470	-	-	-
Charges for services/fees	18,280	8,334	8,334	-
<b>TOTAL REVENUES</b>	<u>1,195,910</u>	<u>22,494</u>	<u>23,292</u>	<u>798</u>
<b>EXPENDITURES</b>				
General government	600	600	-	600
Public works - highways and streets	1,847,174	90,832	90,832	-
<b>TOTAL EXPENDITURES</b>	<u>1,847,774</u>	<u>91,432</u>	<u>90,832</u>	<u>600</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(651,864)</u>	<u>(68,938)</u>	<u>(67,540)</u>	<u>1,398</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>656,459</u>	<u>656,459</u>	<u>656,459</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,595</u>	<u>\$ 587,521</u>	<u>\$ 588,919</u>	<u>\$ 1,398</u>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**  
**(With Summarized Comparative Data for December 31, 2018)**

	Sewer		Eliminations	Totals	
	Enterprise Fund	Reserve Fund		2019	2018
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 2,758,513	\$ 1,935,946	\$ -	\$ 4,694,459	\$ 4,032,599
Sewer fees receivable	194,332	-	-	194,332	175,101
Interest receivable	-	-	-	-	2,179
Assessments receivable, current portion	16,384	-	-	16,384	16,027
Due from other funds	-	96,536	(96,536)	-	-
Prepaid expenses	-	-	-	-	8,975
<b>Total Current Assets</b>	<b>2,969,229</b>	<b>2,032,482</b>	<b>(96,536)</b>	<b>4,905,175</b>	<b>4,234,881</b>
<b>Restricted Assets:</b>					
Cash	175,825	-	-	175,825	197,595
<b>Total Restricted Assets</b>	<b>175,825</b>	<b>-</b>	<b>-</b>	<b>175,825</b>	<b>197,595</b>
<b>Noncurrent Assets:</b>					
Assessments receivable	1,340	-	-	1,340	13,448
Sewer infrastructure and equipment	21,793,547	-	-	21,793,547	21,697,011
Less: Accumulated depreciation	(18,557,649)	-	-	(18,557,649)	(18,247,408)
<b>Total Noncurrent Assets</b>	<b>3,237,238</b>	<b>-</b>	<b>-</b>	<b>3,237,238</b>	<b>3,463,051</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,382,292</b>	<b>\$ 2,032,482</b>	<b>\$ (96,536)</b>	<b>\$ 8,318,238</b>	<b>\$ 7,895,527</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 174,017	\$ 2,969	\$ -	\$ 176,986	\$ 518,233
Escrow deposits	175,825	-	-	175,825	197,595
Due to other funds	183,605	-	(96,536)	87,069	47,162
<b>Total Current Liabilities</b>	<b>533,447</b>	<b>2,969</b>	<b>(96,536)</b>	<b>439,880</b>	<b>762,990</b>
<b>NET POSITION</b>					
Investment in capital assets	3,235,898	-	-	3,235,898	3,449,603
Unrestricted	2,612,947	2,029,513	-	4,642,460	3,682,934
<b>Total Net Position</b>	<b>5,848,845</b>	<b>2,029,513</b>	<b>-</b>	<b>7,878,358</b>	<b>7,132,537</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,382,292</b>	<b>\$ 2,032,482</b>	<b>\$ (96,536)</b>	<b>\$ 8,318,238</b>	<b>\$ 7,895,527</b>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With Summarized Comparative Data for the Year Ended December 31, 2018)

	Sewer Enterprise Fund	Sewer Reserve Fund	Total	Eliminations	Totals	
					2019	2018
<b>OPERATING REVENUES</b>						
Charges for services	\$ 2,975,305	-	\$ 2,975,305	-	\$ 2,975,305	\$ 3,073,510
Other operating revenues	13,605	-	13,605	-	13,605	3,600
<b>TOTAL OPERATING REVENUES</b>	<u>2,988,910</u>	<u>-</u>	<u>2,988,910</u>	<u>-</u>	<u>2,988,910</u>	<u>3,077,110</u>
<b>OPERATING EXPENSES</b>						
Professional fees	23,152	-	23,152	-	23,152	20,877
Engineering fees	2,626	-	2,626	-	2,626	17,237
Rent	116,367	-	116,367	-	116,367	114,085
General operating expenses	509,041	-	509,041	-	509,041	552,254
Insurance	132,098	-	132,098	-	132,098	139,210
Workmen's Compensation	6,151	-	6,151	-	6,151	8,782
Depreciation	310,241	-	310,241	-	310,241	265,949
Maintenance expense	205,580	44,837	250,417	-	250,417	281,767
Treatment expenses	886,145	-	886,145	-	886,145	915,480
Road repairs and maintenance	-	-	-	-	-	5,360
<b>TOTAL OPERATING EXPENSES</b>	<u>2,191,401</u>	<u>44,837</u>	<u>2,236,238</u>	<u>-</u>	<u>2,236,238</u>	<u>2,321,001</u>
<b>OPERATING INCOME (LOSS)</b>	<u>797,509</u>	<u>(44,837)</u>	<u>752,672</u>	<u>-</u>	<u>752,672</u>	<u>756,109</u>
<b>NONOPERATING REVENUES</b>						
Refund of prior year revenues	(20,006)	-	(20,006)	-	(20,006)	-
Interest and investment income	49,192	33,642	82,834	-	82,834	53,626
Sale of assets	-	402	402	-	402	53,402
<b>TOTAL NONOPERATING REVENUES</b>	<u>29,186</u>	<u>34,044</u>	<u>63,230</u>	<u>-</u>	<u>63,230</u>	<u>107,028</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	826,695	(10,793)	815,902	-	815,902	863,137
Transfers in	-	600,000	600,000	(600,000)	-	-
Transfers out	(670,081)	-	(670,081)	600,000	(70,081)	(103,551)
<b>CHANGE IN NET POSITION</b>	156,614	589,207	745,821	-	745,821	759,586
<b>NET POSITION, BEGINNING OF YEAR</b>	5,692,231	1,440,306	7,132,537	-	7,132,537	6,372,951
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,848,845</u>	<u>\$ 2,029,513</u>	<u>\$ 7,878,358</u>	<u>\$ -</u>	<u>\$ 7,878,358</u>	<u>\$ 7,132,537</u>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Summarized Comparative Data for the Year Ended December 31, 2018)**

	Enterprise Fund	Sewer Reserve Fund	Total	Eliminations	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from users	\$ 2,981,430	\$ -	\$ 2,981,430	\$ -	\$ 2,981,430	\$ 2,951,209
Payments to and on behalf of employees	(435,618)	-	(435,618)	-	(435,618)	(428,653)
Payments to vendors and others	(1,604,057)	(178,687)	(1,782,744)	-	(1,782,744)	(1,715,275)
Receipts (return) of escrow deposits (net)	(21,770)	(178,687)	(21,770)	-	(21,770)	75,896
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>919,985</u>	<u>(178,687)</u>	<u>741,298</u>	-	<u>741,298</u>	<u>883,177</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating transfers to other funds	(670,081)	-	(670,081)	600,000	(70,081)	(103,551)
Operating transfers from other funds	-	600,000	600,000	(600,000)	-	-
Refund of prior year revenues	(20,006)	-	(20,006)	-	(20,006)	-
Sale of assets	-	402	402	-	402	-
<b>NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(690,087)</u>	<u>600,402</u>	<u>(89,685)</u>	-	<u>(89,685)</u>	<u>(103,551)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Purchase of capital assets	(96,536)	-	(96,536)	-	(96,536)	(1,041,982)
Sale of capital assets	-	-	-	-	-	53,402
<b>NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(96,536)</u>	<u>-</u>	<u>(96,536)</u>	-	<u>(96,536)</u>	<u>(988,580)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income	49,504	35,509	85,013	-	85,013	52,906
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>49,504</u>	<u>35,509</u>	<u>85,013</u>	-	<u>85,013</u>	<u>52,906</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	182,866	457,224	640,090	-	640,090	(156,048)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,751,472	1,478,722	4,230,194	-	4,230,194	4,386,242
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,934,338</u>	<u>\$ 1,935,946</u>	<u>\$ 4,870,284</u>	<u>\$ -</u>	<u>\$ 4,870,284</u>	<u>\$ 4,230,194</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating (loss) income	\$ 797,509	\$ (44,837)	\$ 752,672	\$ -	\$ 752,672	\$ 756,109
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:						
Depreciation expense	310,241	-	310,241	-	310,241	265,949
(Increase) decrease in assets:						
Sewer fees receivable	(19,231)	-	(19,231)	-	(19,231)	(134,268)
Assessments receivable	11,751	-	11,751	-	11,751	8,367
Due from other funds	-	(96,536)	(96,536)	-	(96,536)	-
Prepaid expenses	8,975	-	8,975	-	8,975	31,525
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(303,933)	(37,314)	(341,247)	-	(341,247)	(31,212)
Due to other funds	136,443	-	136,443	-	136,443	(89,189)
Escrow deposits	(21,770)	-	(21,770)	-	(21,770)	75,896
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 919,985</u>	<u>\$ (178,687)</u>	<u>\$ 741,298</u>	<u>\$ -</u>	<u>\$ 741,298</u>	<u>\$ 883,177</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>						
Cash and cash equivalents	\$ 2,758,513	\$ 1,935,946	\$ 4,694,459	\$ -	\$ 4,694,459	\$ 4,032,599
Cash - restricted	175,825	-	175,825	-	175,825	197,595
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,934,338</u>	<u>\$ 1,935,946</u>	<u>\$ 4,870,284</u>	<u>\$ -</u>	<u>\$ 4,870,284</u>	<u>\$ 4,230,194</u>

The accompanying notes are an integral part of these financial statements.



**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**  
**(With Summarized Comparative Data for December 31, 2018)**

	Agency Fund	Trust Funds	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 975,884	\$ 584,986	\$ 1,560,870	\$ 2,851,283
Investments	-	21,845,995	21,845,995	17,199,225
Accounts receivable	-	568	568	628
<b>TOTAL ASSETS</b>	<u>\$ 975,884</u>	<u>\$ 22,431,549</u>	<u>\$ 23,407,433</u>	<u>\$ 20,051,136</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to others	\$ 975,884	\$ -	\$ 975,884	\$ 2,396,463
<b>TOTAL LIABILITIES</b>	<u>975,884</u>	<u>-</u>	<u>975,884</u>	<u>2,396,463</u>
<b>NET POSITION</b>				
Held in trust for pension benefits	-	21,616,545	21,616,545	17,175,911
Held in trust for other postemployment benefits	-	815,004	815,004	478,762
<b>TOTAL NET POSITION</b>	<u>-</u>	<u>22,431,549</u>	<u>22,431,549</u>	<u>17,654,673</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 975,884</u>	<u>\$ 22,431,549</u>	<u>\$ 23,407,433</u>	<u>\$ 20,051,136</u>

The accompanying notes are an integral part of these financial statements.

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Trust Funds	
	2019	2018
ADDITIONS		
Contributions:		
State aid	\$ -	\$ 234,219
Employer contribution	1,587,983	739,387
Employee contribution	121,645	108,160
Total Contributions	1,709,628	1,081,766
Investment Income (Loss):		
Net realized/unrealized (loss) gain on investments	3,299,259	(1,196,085)
Interest and dividends, net of expenses	522,037	219,132
Net Investment (Loss) Income	3,821,296	(976,953)
TOTAL ADDITIONS	5,530,924	104,813
DEDUCTIONS		
Benefits paid	753,748	733,351
TOTAL DEDUCTIONS	753,748	733,351
CHANGE IN FIDUCIARY NET POSITION	4,777,176	(628,538)
NET POSITION, BEGINNING OF YEAR	17,654,373	18,283,211
NET POSITION, END OF YEAR	\$ 22,431,549	\$ 17,654,673

The accompanying notes are an integral part of these financial statements.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lower Gwynedd Township ("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 evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Township is considered to be an independent reporting entity and has no component units.

Basis of Presentation and Accounting

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary funds financial statements but differs from the manner in which governmental funds financial statements are prepared. Governmental funds financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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 three 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 of open space.

**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 Open Space Fund and Proprietary Funds).

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Traffic Impact Fund (Special Revenue Fund)** – The Traffic Impact Fund accounts for revenues received from transportation impact fees and similar revenues. Expenditures consist of improvements to the Township's roadways either by major capital installations or minor repairs.

The Township reports the following major proprietary funds:

**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 nonmajor Special Revenue Funds include the Highway Aid Fund, Street Lighting Fund, Fire Protection Fund, Fire Hydrant Fund, and Recreation Fund.

**Debt Service Fund (Sinking 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 proprietary fund debt.

The Township reports the following major 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 Fund, Non-Uniformed Employees' Pension Fund, Other Postemployment Benefits, and Defined Contribution Plan.

**Agency Fund** – the Agency Fund accounts for deposits received and held in escrow from developers and other entities to be used for legal, administrative, and other fees.

*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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

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

Fiduciary funds are reported using the economic resources measurement focus.

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

Budgets and Budgetary Accounting

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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 investments in the Pennsylvania Local Government Investment Trust are all highly liquid investments and are considered to be cash and cash equivalents.

Taxes Receivable

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

Investments

Investments consist of mutual funds (pensions) and are recorded at fair value.

In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Interfund Transactions

As a result of its operations, the Township has a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2019, 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 for property taxes and sewer user fees.

Capital Assets

Capital assets, which include property, plant, and equipment, 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 assets' lives are not capitalized.

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

Buildings and building improvements	5 - 30 years
Furniture and equipment	5 - 30 years
Sewer system and equipment	5 - 25 years
Infrastructure	5 - 40 years



LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Infrastructure

The Township has adopted the modified approach for valuing its infrastructure. The Township completes an annual assessment of conditions and maintains all infrastructure at an overall good or better condition level. As a result, costs have been estimated for the entire infrastructure system. If the yearly assessment maintains this overall condition level, no depreciation will be recorded. Annual maintenance costs for the roads will be expensed.

Use of Estimates in the Preparation of Financial Statements

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 two percent discount March 1 through April 30; face amount May 1 through June 30; and a 10 percent 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 1¼ 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.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Fund Balance

Fund balances of the governmental funds are classified, as applicable, as follows:

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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed. The Township has a fund balance policy target range of 25 percent - 35 percent of budgeted expenditures. In the event the General Fund unassigned fund balance shall exceed the maximum target range of 35 percent, the Township Manager will present a plan for consideration by the Board of Supervisors to take actions and necessary steps to reduce the unassigned fund balance to within the target range of 25 - 35 percent.

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

Net Position

Net position is classified as follows:

- ***Net Investment in Capital Assets*** – the Township's investment in capital assets plus any unspent funding from debt borrowings, reduced by accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.
- ***Restricted*** – amounts limited by external parties or legislation.
- ***Unrestricted*** – amounts available for consumption or not restricted in any manner.

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

The Township incorporated their defined contribution plan into their financial statements as of January 1, 2018. Accordingly, the financial data in the 2018 column of the statements of changes in fiduciary net position - fiduciary funds has been restated to include this activity.

NOTE 2 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 is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit excluding the pension funds. As of December 31, 2019, \$1,249,000 was insured by the Federal Depository Insurance Corporation. The remaining \$14,890,463 of the Township's bank balance of \$16,139,463 was exposed to custodial credit risk as follows:

Governmental funds	\$ 8,963,515
Proprietary funds	4,872,782
Fiduciary funds	<u>1,054,166</u>
	<u>\$ 14,890,463</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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

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.

The fair value of assets measured on a recurring basis at December 31, 2019 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Equity mutual funds	\$ 15,436,173	\$ 15,436,173
Fixed income mutual funds	6,038,950	6,038,950
Joint venture mutual funds	<u>370,872</u>	<u>370,872</u>
Total Investments	<u>\$ 21,845,995</u>	<u>\$ 21,845,995</u>

At December 31, 2019, there were no investments in any one organization that represented five percent or more of total investments other than mutual funds, which do not require disclosure of concentration.

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance 01/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>
<u>Governmental Activities</u>				
General capital assets not being depreciated:				
Land	\$ 11,242,736	\$ -	\$ -	\$ 11,242,736
Infrastructure	13,287,675	-	-	13,287,675
Construction-in-progress	231,984	90,832	-	322,816
Total general capital assets not being depreciated	<u>24,762,395</u>	<u>90,832</u>	<u>-</u>	<u>24,853,227</u>
General capital assets being depreciated:				
Infrastructure	8,227,193	157,076	-	8,384,269
Buildings and building improvements	9,883,090	48,785	-	9,931,875
Furniture and equipment	2,947,725	261,677	(95,358)	3,114,044
Total general capital assets being depreciated	<u>21,058,008</u>	<u>467,538</u>	<u>(95,358)</u>	<u>21,430,188</u>

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
Accumulated depreciation:				
Infrastructure	(4,138,650)	(246,093)	-	(4,384,743)
Buildings and building improvements	(6,130,038)	(223,680)	-	(6,353,718)
Furniture and equipment	(1,963,506)	(208,094)	95,358	(2,076,242)
Total accumulated depreciation	<u>(12,232,194)</u>	<u>(677,867)</u>	<u>95,358</u>	<u>(12,814,703)</u>
Total general capital assets being depreciated, net	<u>8,825,814</u>	<u>(210,329)</u>	<u>-</u>	<u>8,615,485</u>
Governmental Activities, Net	<u>\$ 33,588,209</u>	<u>\$ (119,497)</u>	<u>\$ -</u>	<u>\$ 33,468,712</u>
<u>Business-type Activities</u>				
Sewer system and equipment	\$ 21,697,011	\$ 96,536	\$ -	\$ 21,793,547
Accumulated depreciation	<u>(18,247,408)</u>	<u>(310,241)</u>	<u>-</u>	<u>(18,557,649)</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,449,603</u>	<u>\$ (213,705)</u>	<u>\$ -</u>	<u>\$ 3,235,898</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Unallocated depreciation	<u>\$ 677,867</u>
Business-type Activities:	
Sewer	<u>\$ 310,241</u>

NOTE 4 DEBT

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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 DEBT (cont'd)

interest at 2.0 percent per annum and mature on February 15, 2019. In the year ended December 31, 2019, the balance has been repaid.

Promissory Note

A Promissory Note with Montgomery County, Pennsylvania commenced during 2016. The amount authorized was \$116,142 and is to be paid by the Township over a period of five years. In return, the Township will receive a county-wide police radio system. The note is interest free with annual payments from January 2016 through January 2020. As of December 31, 2019, the balance of the note was \$23,224.

The following is a summary of transactions affecting long-term obligations for the year ended December 31, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and note payable	\$ 316,451	\$ -	\$ 293,227	\$ 23,224	\$ 23,224
Bond premium	3,444	-	3,444	-	-
Net pension liability	2,976,493	-	2,976,493	-	-
Net OPEB liability	673,895	-	389,228	284,667	-
<b>TOTAL</b>	<b>\$ 3,970,283</b>	<b>\$ -</b>	<b>\$ 3,662,392</b>	<b>\$ 307,891</b>	<b>\$ 23,224</b>

An analysis of debt service requirements to maturity on the bond and note is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2020	\$ 23,224	\$ -	\$ 23,224

For the year ended December 31, 2019, interest expense was \$2,244 and is reported net of the bond premium amortization of \$3,444 in the statement of activities.

NOTE 5 LEASED PROPERTY

In February 1989, the Township entered into a five-year, noncancelable agreement for the lease of office space, with an option to renew. The renewal option has been exercised every five years, with the lease now terminating in April 2024. For the year ended December 31, 2019, lease payments received by the Township were \$131,463.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LEASED PROPERTY (cont'd)

A schedule of future lease payments in accordance with the agreement are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 135,076
2021	139,128
2022	143,302
2023	147,601
2024	<u>49,683</u>
Total	<u>\$ 614,790</u>

NOTE 6 INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 90,174	\$ -
Capital Reserve Fund	-	215
Nonmajor Governmental Funds	-	2,890
Proprietary Funds:		
Sewer Enterprise Fund	-	<u>87,069</u>
	<u>\$ 90,174</u>	<u>\$ 90,174</u>

Interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 42,534	\$1,440,202
Capital Reserve Fund	950,380	-
Nonmajor Governmental Funds	517,369	-
Proprietary Funds:		
Sewer Enterprise Fund	-	670,081
Sewer Reserve Fund	<u>600,000</u>	<u>-</u>
	<u>\$2,110,283</u>	<u>\$2,110,283</u>



LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS (cont'd)

Interfund receivables/payables represent temporary borrowings between funds to support various fund activities. The most significant interfund transfers represent funds moved from the Sewer Enterprise Fund to the Sewer Reserve Fund for future capital projects, and funds moved from the General Fund to other funds for future debt service and capital projects.

NOTE 7 RISK MANAGEMENT

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

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

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

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

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

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Plan Description

**Plan Administration** – The Township administers the Police Pension Plan as a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Investment Advisory Committee, which consists of up to eleven members – four Township residents appointed by the Township, two members of the Board of Supervisors, the Township Manager, the Assistant Township Manager, the Finance Director, one non-uniformed employee, and one sworn police officer. The Investment Advisory Committee is responsible for advising, reviewing, monitoring, and making recommendations to the Board of Supervisors of the Township as to the administrative, operation, and investment of the plan.

**Plan Membership** – At December 31, 2019, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not receiving benefits	-
Active plan members	<u>18</u>
 Total covered employees	 <u>31</u>

**Benefits Provided** – The plan provides retirement benefits as well as death and disability benefits. The normal retirement benefit is 50 percent of the member's monthly average compensation, plus \$400 per year for each full year of complete service after 25 years, limited to a total increment of three years or \$1,200 per year. Average monthly salary is computed over the last 36 months of member's continuous employment including base salary plus longevity pay, overtime, night differential, and disability insurance benefits paid from the Township. If a member dies (not in the line of duty) prior to eligibility for pension benefits, then his designated beneficiary shall be entitled to a refund of his accumulated member contributions with interest. If the member dies and is survived by a spouse or dependent children, after having become eligible to receive a pension benefit, then a monthly pension benefit equal to 50 percent of the normal retirement benefit the member was receiving or would have been receiving is payable to the surviving spouse for life.

If there is no surviving spouse or the spouse dies, then it is payable to dependent children until age 18 or, if in college, until age 23. The surviving family of a police officer who is killed in the line of duty shall receive the benefits provided for by the Commonwealth of Pennsylvania, subject to the terms of Act 51 of 2009.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

A member who suffers a total disability arising from a line of duty service-connected illness or injury that precludes him from performing his duties as a police officer shall receive a benefit equal to 50 percent of his salary at the time of disability less Social Security disability benefits.

Each member will be eligible for retirement on the day after the member completes 25 years of service and attains age 50 (age 55 for any employee hired on or after January 1, 2013). Each member shall be eligible for early retirement upon the completion of 20 years of service. This benefit will be reduced for early commencement. If a member leaves the employ of the Township or ceases to be a member by reason of transfer, resignation, discharge, or by reason of disability, he shall be vested in his benefit after 12 years of full-time service. His vested benefit payable at his normal retirement date is equal to 50 percent of his monthly average compensation multiplied by his service at termination divided by the service he would have had if he worked until his normal retirement date. In lieu of this benefit, he may elect to receive a refund of his contributions plus interest credited at the rate of five percent per annum, if any. Upon the termination of a member not entitled to vested benefits, he shall receive a refund of his contributions plus interest credited at the rate of five percent per annum, if any.

The benefit and contribution provisions of the Township's Police Pension Plan are established by Township ordinances.

**Contributions** – Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (“MMO”), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds to the Township, which the Township must use for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to five percent of the participant's pay.

The MMO obligation for the Police Pension Plan was \$561,743 for 2019. Contributions of \$1,106,711 were made to the Police Pension Plan for the year ended December 31, 2019, comprised of \$941,534 in Township contributions and \$165,177 in Commonwealth contributions.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the General Fund to increase plan earnings.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

Investments

**Investment Policy** – The plan's policy in regard to the allocation of invested assets is established and may be amended by a motion of the Board of Supervisors. It is the policy of the Investment Advisory Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Committee's adopted asset allocation policy as of December 31, 2019:

	Target Allocation
Domestic equity	45%
International equity	26%
Fixed income	27%
Cash	2%
	100%

**Rate of Return** – For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 21.09 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	Long-term Expected Rate of Return
Domestic equity	5.0%
International equity	4.95%
Fixed income	3.63%
Cash	1.0%

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

**Discount Rate** – The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100 percent funded status.

Net Pension Asset of the Township

The components of the net pension asset of the Township at December 31, 2019 were as follows:

Total pension liability	\$ 15,356,902
Fiduciary net position	(15,639,716)
Net pension asset	<u>\$ (282,814)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.84%

The Township's total pension liability used to calculate the net pension liability (asset) is determined by the actuarial valuation. The changes in the net pension liability (asset) are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2018	<u>\$ 14,985,788</u>	<u>\$ 12,257,304</u>	<u>\$ 2,728,484</u>
Changes for the year:			
Service cost	425,522	-	425,522
Interest	1,059,256	-	1,059,256
Changes in assumptions	109,015	-	109,015
Differences between expected and actual experience	(720,111)	-	(720,111)
Contributions - employer	-	1,106,711	(1,106,711)
Contributions - employee	-	121,645	(121,645)
Net investment income	-	2,656,624	(2,656,624)
Benefit payments	(502,568)	(502,568)	-
Net Changes	<u>371,114</u>	<u>3,382,412</u>	<u>(3,011,298)</u>
Balance at December 31, 2019	<u>\$ 15,356,902</u>	<u>\$ 15,639,716</u>	<u>\$ (282,814)</u>

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

The beginning fiduciary net position, benefit payment, and net investment income amounts above do not include investments held or benefits paid for deferred retirement option plans.

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*** – The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 1,632,448	\$ (282,814)	\$ (1,874,259)

***Pension Expense and Deferred Inflows of Resources Related to Pensions*** – For the year ended December 31, 2019, the Township recognized pension expense of \$87,503. As of year end, the Township reported deferred outflows and inflows related to the plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected expected experience	\$ -	\$ 546,270
Changes of assumptions	76,762	-
Difference between actual and projected investment returns	-	837,217
Total Deferred Outflows and Inflows of Resources	\$ 76,762	\$1,383,487

The deferred amounts related to pension will be recognized in pension expense as follows:

Year Ended December 31,	
2020	\$ (460,514)
2021	(421,051)
2022	(83,132)
2023	(342,028)
	\$(1,306,725)

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DEFINED BENEFIT PENSION PLAN – POLICE PENSION PLAN (cont'd)

**Actuarial Assumptions** – The total pension liability as of December 31, 2019 was projected from the actuarial valuation as of January 1, 2019, using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	10 years
Asset valuation method	Adjusted market value
Actuarial assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	5.50%
Inflation	3.00%
Cost of living adjustments	3.00%
Mortality	UP-1994 Table with projection scale AA for males and females

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (“DROP”) for a period of not more than 48 months. The member’s monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2019, there were no members participating in the DROP.

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES’ PENSION PLAN

Summary of Significant Accounting Policies

Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Non-Uniformed Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

Plan Description

**Plan Administration** – The Township administers the Non-Uniformed Employees' Pension Plan as a single employer defined benefit pension plan that provides pensions for all regular, full-time non-uniformed employees. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Investment Advisory Committee, which consists of up to eleven members - four Township residents appointed by the Township, two members of the Board of Supervisors, the Township Manager, the Assistant Township Manager, the Finance Director, one non-uniformed employee, and one sworn police officer. The Investment Advisory Committee is responsible for advising, reviewing, monitoring, and making recommendations to the Board of Supervisors of the Township as to the administrative, operation, and investment of the plan.

**Plan Membership** – At December 31, 2019, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not receiving benefits	7
Active plan members	<u>13</u>
Total covered employees	<u>34</u>

**Benefits Provided** – The plan provides retirement benefits. The normal retirement benefit is 50 percent of the member's monthly average compensation, reduced for service less than 25 years. For members retiring early, the accrued benefit is reduced by half of one percent for each month the member's early retirement benefit precedes his normal retirement date. Monthly average salary is computed over the last 36 months of the member's continuous employment. Average monthly salary shall include all earnings reported to the IRS on Form W-2. If a vested member dies prior to age 60, then the plan will pay a survivor benefit equal to the present value of 50 percent of the actuarially reduced retirement benefit that would have been payable to the member under the Qualified Joint & Survivor Annuity. This survivor benefit is payable to the surviving spouse, and if no surviving spouse, then the benefit is divided equally among the surviving children. If a vested member dies on or after age 60 and is survived by a spouse or dependent children, then the amount of the monthly benefit shall be equal to 50 percent of the retirement benefit the member would have been receiving under the Qualified Joint & Survivor Annuity had he been retired when he died. This survivor benefit is payable to the surviving spouse and if no surviving spouse, then the benefit is payable to the dependent children until age 18.

The benefit provisions of the plan are established by Township ordinances.



LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

**Contributions** – Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (“MMO”), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10 percent of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds to the Township, which the Township must use for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. Member contributions were not required during 2019.

The MMO obligation for the Non-Uniformed Pension Plan was \$170,137 for 2019. Contributions of \$237,625 were made to the Non-Uniformed Pension Plan for the year ended December 31, 2019, comprised of \$173,389 in Township contributions and \$64,236 in Commonwealth contributions.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the General Fund to increase plan earnings.

Investments

**Investment Policy** – The plan's policy in regard to the allocation of invested assets is established and may be amended by a motion of the Board of Supervisors. It is the policy of the Investment Advisory Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Committee's adopted asset allocation policy as of December 31, 2019:

	<u>Target Allocation</u>
Domestic equity	45%
International equity	26%
Fixed income	27%
Cash	2%
	<hr/>
	100%

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

**Rate of Return** – For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 21.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	<u>Long-term Expected Rate of Return</u>
Domestic equity	5.0%
International equity	4.95%
Fixed income	3.63%
Cash	1.0%

**Discount Rate** – The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100 percent funded status.

Net Pension Asset of the Township

The components of the net pension asset of the Township at December 31, 2019 were as follows:

Total pension liability	\$ 5,471,075
Fiduciary net position	(5,856,708)
Net pension asset	<u>\$ (385,633)</u>
Plan fiduciary net position as a percentage of the total pension asset	107.05%

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

The Township's total pension liability used to calculate the net pension liability (asset) is determined by the actuarial valuation. The changes in the net pension liability (asset) are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2018	\$ 5,086,616	\$ 4,838,607	\$ 248,009
Changes for the year:			
Service cost	98,099	-	98,099
Interest	383,255	-	383,255
Changes in assumptions	175,118	-	175,118
Differences between expected and actual experience	(31,323)	-	(31,323)
Contributions - employer	-	237,625	(237,625)
Net investment loss	-	1,021,166	(1,021,166)
Benefit payments	(240,690)	(240,690)	-
Net Changes	<u>384,459</u>	<u>1,018,101</u>	<u>(633,642)</u>
Balance at December 31, 2019	<u>\$ 5,471,075</u>	<u>\$ 5,856,708</u>	<u>\$ (385,633)</u>

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*** – The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Rate Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net pension liability (asset)	\$ 266,625	\$ (385,633)	\$ (938,075)

***Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions*** – For the year ended December 31, 2019, the Township recognized pension expense of \$117,735. As of year end, the Township reported deferred outflows and inflows related to the plan as follows:

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 9,207	\$ 43,398
Changes of assumptions	115,554	-
Difference between actual and projected investment returns	-	331,078
Total Deferred Outflows and Inflows of Resources	\$ 124,761	\$ 374,476

The deferred amounts related to pension will be recognized in pension expense as follows:

Year Ended December 31,

2020	\$ (62,209)
2021	(52,235)
2022	(3,555)
2023	(131,716)
	\$ (249,715)

**Actuarial Assumptions** – The total pension liability as of December 31, 2019 was projected from the actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	10 years
Asset valuation method	Adjusted market value
Actuarial assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	5.00%
Inflation	3.00%
Cost of living adjustments	3.00%
Mortality	UP-1994 Table with projection scale AA for males and females

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN – NON-UNIFORMED EMPLOYEES' PENSION PLAN (cont'd)

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

NOTE 10 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The Township provides medical and prescription drug benefits to eligible retired employees, spouses, and dependents through a single employer defined benefit plan. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the Township office.

Funding Policy

The Township negotiates the contribution percentage between the Township and employees through contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the General Fund to increase Trust earnings. For fiscal year 2019, the Township paid \$10,490 to plan members eligible for receiving benefits.

Participants

As of December 31, 2019, the Plan had 23 participants (18 active, 5 retired).

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of December 31, 2019. The total OPEB liability as of December 31, 2019 was determined by rolling forward the system's total OPEB liability as of the January 1, 2019 actuarial valuation to the December 31, 2019 measurement date using the actuarial assumptions noted below.

Discount Rate

Since the future contributions are estimated to be sufficient to fund the future benefits, the discount rate of 7.72 percent is based on the expected return on plan assets per the investment policy.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are considered to be 5.5 percent annually.

Withdrawal

Participants are assumed to terminate employment for reasons other than death, disability, or retirement in accordance with annual rates varying by age. The following table illustrates the assumed number of such terminations per year.

<u>Age</u>	<u>Rate</u>
25	5.35%
30	4.93%
35	4.61%
40	4.04%
45	3.57%
50	2.17%
55	1.38%

Mortality

- UP-1994 Mortality Table
- Margin for mortality improvements: Scale AA, fully generational

Disability

No disability was assumed.

Retirement

One hundred percent at fully eligible, with four-year DROP period.

Percent of Eligible Retirees Electing Coverage in Plan

It is assumed that 100 percent of future eligible retirees will have coverage elsewhere and receive a stipend from the Township. It is further assumed that the future retirees will utilize 80 percent of the reimbursement. It is assumed that no one will opt in or opt out of coverage

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

once initial retirement election is made. Eligible retirees are as follows: hired before January 2013, age 50 with 25 years of service; hired on or after January 2013, age 55 with 25 years of service.

Percent Married at Retirement

Seventy-five percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be three years younger than their husbands.

Per Capita Claims Cost

Future eligible retirees are assumed to have coverage elsewhere; we did not determine the per capita healthcare costs.

Healthcare Cost Trend Rate

The healthcare cost trend rate was 2.30 percent in 2019, 6.75 percent in 2020, 6.50 percent in 2021, 6.25 percent in 2022, 6.00 percent in 2023, and down to 4.50 by 2029.

Actuarial Value of Assets

The actuarial value of assets is equal to the market value of assets.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Net OPEB Liability of the Township

The components of the net OPEB liability of the Township at December 31, 2019 were as follows:

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Total OPEB liability	\$ 1,099,671
Fiduciary net position	(815,004)
Net OPEB liability	<u>\$ 284,667</u>
Plan fiduciary net position as a percentage of the total OPEB liability	74.11%

The Township's total OPEB liability used to calculate the net OPEB liability is determined by the actuarial valuation. The changes in the net OPEB liability are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2018	<u>\$ 1,152,657</u>	<u>\$ 478,762</u>	<u>\$ 673,895</u>
Changes for the year:			
Service cost	23,846	-	23,846
Interest	69,397	-	69,397
Changes in assumptions	(93,945)	-	(93,945)
Differences between expected and actual experience	(41,794)	-	(41,794)
Contributions - employer	-	225,000	(225,000)
Net investment gain	-	121,732	(121,732)
Benefit payments	<u>(10,490)</u>	<u>(10,490)</u>	<u>-</u>
Net Changes	<u>(52,986)</u>	<u>336,242</u>	<u>(389,228)</u>
Balance at December 31, 2019	<u>\$ 1,099,671</u>	<u>\$ 815,004</u>	<u>\$ 284,667</u>

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease 6.30%</u>	<u>Current Rate Discount Rate 7.30%</u>	<u>1% Increase 8.30%</u>
Net OPEB liability	\$ 388,983	\$ 284,667	\$ 189,684



LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate Healthcare Trend Rate	1% Increase
Net OPEB liability	\$ 166,807	\$ 284,667	\$ 419,132

The amount of OPEB income for the single employer plan recognized by the Township was \$43,166 for the year ended December 31, 2019. At December 31, 2019, the Township reported deferred inflows of resources relating to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 36,524
Changes of assumptions	7,414
Difference between actual and projected investment returns	21,276
Total Deferred Inflows of Resources	\$ 65,214

Deferred outflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

Year Ending June 30,	
2020	\$ (8,168)
2021	(8,168)
2022	(8,168)
2023	(22,130)
2024	(6,342)
Thereafter	(12,238)
	\$ (65,214)

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 11 NET PENSION ASSETS, AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The Township's aggregate net pension assets, and deferred inflows and outflows of resources are as follows:

	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources
Police (See Note 8)	\$ 282,814	\$ 76,762	\$ 1,383,487
Non-Uniformed (See Note 9)	385,633	124,761	374,476
Total	<u>\$ 668,447</u>	<u>\$ 201,523</u>	<u>\$ 1,757,963</u>

NOTE 12 DEFINED CONTRIBUTION PLAN

The Township provides pension benefits for all permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months from the date of employment. The Township has 26 employees enrolled in the pension plan. The Township shall contribute on behalf of each participant the following percentage: after five months - four percent; after three years - six percent; after six years - eight percent; and after ten years - ten percent. The Township's Board of Supervisors is responsible for establishing plan benefits, contributions, and other provisions, and for approving all plan amendments. The Township's contributions for each employee, and interest allocated to the employee's account, are fully vested after five years of continuous service. Township contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Township's current period contribution requirement. The Township's contributions for the year ended December 31, 2019 amounted to \$24,378.

NOTE 13 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2019:

Public safety	\$ 15,556
Conservation	\$ 9,332
Workmen's compensation	\$ 3,481
Debt service	\$ 20,246

The excess expenditures were funded by greater than anticipated revenue.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 14     SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Township's income in 2020. Other financial impact could occur though such potential impact is unknown at this time. The Township is closely monitoring tax revenues and has deferred non-essential capital projects until the financial impacts become clearer.

The Township has evaluated all subsequent events through August 27, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION

TREND DATA ON INFRASTRUCTURE CONDITION

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 one through ten, where a rating of ten represents a new or revitalized condition, and a rating of one 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 required level of service. The Township's policy is to maintain the street condition at a level of five or better. The following reports the average condition as of December 31, 2019 and for the two preceding periods:

Year	Average Condition
2017	6.438
2018	6.488
2019	6.544

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

Year	Budget	Actual
2014	\$ 781,660	\$ 642,165
2015	858,500	825,164
2016	781,890	755,616
2017	700,000	696,306
2018	566,255	572,910
2019	479,615	366,794

**LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET),  
RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 425,522	\$ 414,155	\$ 392,563	\$ 350,814	\$ 331,689	\$ 314,398
Interest on total pension liability	1,059,256	1,034,221	969,430	924,958	874,124	826,356
Changes in assumptions	109,015	-	-	-	-	-
Differences between expected and actual experience	(720,111)	-	(171,384)	-	(14,569)	-
Benefit payments, excluding DROP benefits	(502,568)	(497,964)	(509,059)	(510,965)	(514,424)	(493,278)
Net change in total pension liability	371,114	950,412	681,550	764,807	676,820	647,476
Total pension liability, beginning	14,985,788	14,035,376	13,353,826	12,589,019	11,912,199	11,264,723
Total pension liability, ending (a)	\$ 15,356,902	\$ 14,985,788	\$ 14,035,376	\$ 13,353,826	\$ 12,589,019	\$ 11,912,199
<b>FIDUCIARY NET POSITION</b>						
Employer contributions	\$ 1,106,711	\$ 769,672	\$ 806,378	\$ 764,786	\$ 761,497	\$ 786,937
Member contributions	121,645	108,160	104,613	99,622	92,219	83,418
Investment income (loss), net of investment expenses	2,656,624	(686,023)	1,912,527	716,596	4,056	462,698
Benefit payments, excluding DROP benefits	(502,568)	(497,964)	(509,059)	(510,965)	(514,424)	(705,817)
Net change in fiduciary net position	3,382,412	(306,155)	2,314,459	1,070,039	343,348	627,236
Fiduciary net position, beginning	12,257,304	12,563,459	10,249,000	9,178,961	8,835,613	8,208,377
Fiduciary net position, ending (b)	\$ 15,639,716	\$ 12,257,304	\$ 12,563,459	\$ 10,249,000	\$ 9,178,961	\$ 8,835,613
Net pension liability (asset) [(a) - (b)]	\$ (282,814)	\$ 2,728,484	\$ 1,471,917	\$ 3,104,826	\$ 3,410,058	\$ 3,076,586
Plan fiduciary net position as a percentage of the total pension liability	101.84%	81.79%	89.51%	76.75%	72.91%	74.17%
Covered payroll	\$ 2,449,851	\$ 2,170,474	\$ 2,089,024	\$ 2,008,538	\$ 1,844,364	\$ 1,668,327
Net pension liability (asset) as a percentage of covered payroll	-11.54%	125.71%	70.46%	154.58%	184.89%	184.41%
Annual money-weighted return, net of investment expenses	21.09%	-5.40%	18.31%	7.55%	0.04%	5.58%

**Note on Pension Investments**

The beginning fiduciary net position, benefit payment, and net investment income amounts above do not include investments held or benefits paid for deferred retirement option plans.

**Note on Cumulative Information**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY (ASSET),  
RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 98,099	\$ 101,256	\$ 96,435	\$ 145,646	\$ 145,184	\$ 138,271
Interest on total pension liability	383,255	355,733	338,964	324,467	296,908	273,329
Changes of assumptions	175,118	-	-	-	-	-
Differences between expected and actual experience	(31,323)	-	(89,588)	-	66,752	-
Benefit payments	(240,690)	(224,829)	(202,217)	(171,621)	(110,499)	(83,931)
Net change in total pension liability	384,459	232,160	143,594	298,492	398,345	327,669
Total pension liability, beginning	5,086,616	4,854,456	4,710,862	4,412,370	4,014,025	3,686,356
Total pension liability, ending (a)	<u>\$ 5,471,075</u>	<u>\$ 5,086,616</u>	<u>\$ 4,854,456</u>	<u>\$ 4,710,862</u>	<u>\$ 4,412,370</u>	<u>\$ 4,014,025</u>
<b>FIDUCIARY NET POSITION</b>						
Employer contributions	\$ 237,625	\$ 178,934	\$ 177,765	\$ 207,493	\$ 260,654	\$ 307,060
Investment income (loss), net of investment expenses	1,021,166	(257,996)	797,736	308,276	3,298	198,111
Benefit payments, excluding DROP benefits	(240,690)	(224,829)	(202,217)	(171,621)	(110,499)	(83,931)
Net change in fiduciary net position	1,018,101	(303,891)	773,284	344,148	153,453	421,240
Fiduciary net position, beginning	4,838,607	5,142,498	4,369,214	4,025,066	3,871,613	3,450,373
Fiduciary net position, ending (b)	<u>\$ 5,856,708</u>	<u>\$ 4,838,607</u>	<u>\$ 5,142,498</u>	<u>\$ 4,369,214</u>	<u>\$ 4,025,066</u>	<u>\$ 3,871,613</u>
Net pension liability (asset) [(a) - (b)]	<u>\$ (385,633)</u>	<u>\$ 248,009</u>	<u>\$ (288,042)</u>	<u>\$ 341,648</u>	<u>\$ 387,304</u>	<u>\$ 142,412</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.05%	95.12%	105.93%	92.75%	91.22%	96.45%
Covered payroll	\$ 977,952	\$ 978,917	\$ 958,383	\$ 1,004,002	\$ 1,395,263	\$ 1,389,910
Net pension liability (asset) as a percentage of covered payroll	-39.43%	25.34%	-30.05%	34.03%	27.76%	10.25%
Annual money-weighted return, net of investment expenses	21.10%	-5.05%	18.27%	7.54%	0.08%	5.58%

**Note on Cumulative Information**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY, INVESTMENT  
RETURNS, AND RELATED RATIOS - OPEB PLAN**

	2019	2018
<u>TOTAL OPEB LIABILITY</u>		
Service cost	\$ 23,846	\$ 28,734
Interest cost	69,397	77,847
Changes in assumptions	(93,945)	-
Differences between expected and actual experience	(41,794)	-
Benefits paid	(10,490)	(10,558)
NET CHANGE IN TOTAL OPEB LIABILITY	(52,986)	96,023
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	1,152,657	1,056,634
TOTAL OPEB LIABILITY, END OF YEAR	\$ 1,099,671	\$ 1,152,657
 <u>PLAN FIDUCIARY NET POSITION</u>		
Investment loss	\$ 121,732	\$ (32,934)
Employer contributions	225,000	25,000
Benefits paid	(10,490)	(10,558)
NET CHANGE IN FIDUCIARY NET POSITION	336,242	(18,492)
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	478,762	497,254
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 815,004	\$ 478,762
TOWNSHIP'S NET OPEB LIABILITY	\$ 284,667	\$ 673,895
Plan fiduciary net position as a percentage of total OPEB liability	74.11%	41.54%
Covered employee payroll	\$ 2,449,851	\$ 2,170,474
Township's net pension liability as a percentage of covered payroll	44.89%	53.11%

**Notes to Schedule**

Cummulative Information: The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.



**LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 561,743	\$ 741,647	\$ 787,378	\$ 764,786	\$ 711,497	\$ 563,368
Contributions in relation to the actuarially determined contribution	<u>1,106,711</u>	<u>769,672</u>	<u>806,378</u>	<u>764,786</u>	<u>761,497</u>	<u>786,937</u>
Contribution excess	<u>\$ (544,968)</u>	<u>\$ (28,025)</u>	<u>\$ (19,000)</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (223,569)</u>
Covered employee payroll	\$ 2,449,851	\$ 2,170,474	\$ 2,089,024	\$ 2,008,538	\$ 1,844,364	\$ 1,668,327
Contribution as a percentage of covered employee payroll	45.17%	35.46%	38.60%	38.08%	41.29%	47.17%

**Actuarial Methods and Significant Assumptions**

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	10 years
Asset valuation method	Adjusted market value
Actuarial Assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	5.50%
Inflation	3.00%
Cost of living adjustments	3.00%
Mortality	UP-1994 Table with projection scale AA

**LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 170,137	\$ 163,365	\$ 173,265	\$ 207,493	\$ 210,654	\$ 186,797
Contributions in relation to the actuarially determined contribution	237,625	178,934	177,765	207,493	260,654	307,060
Contribution excess	<u>\$ (67,488)</u>	<u>\$ (15,569)</u>	<u>\$ (4,500)</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (120,263)</u>
Covered employee payroll	\$ 977,952	\$ 978,917	\$ 958,383	\$ 1,004,002	\$ 1,395,263	\$ 1,389,910
Contribution as a percentage of covered employee payroll	24.30%	18.28%	18.55%	20.67%	18.68%	22.09%

**Actuarial Methods and Significant Assumptions**

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	3 years
Asset valuation method	Adjusted market value
Actuarial Assumptions:	
Investment rate of return	7.50%
Discount rate	7.50%
Projected salary increases	5.00%
Inflation	3.00%
Cost of living adjustments	3.00%
Mortality	UP-1994 Table with projection scale AA

**SUPPLEMENTARY INFORMATION**

**LOWER GWYNEDD TOWNSHIP  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Fire Hydrant Fund	Recreation Fund	Debt Service Fund	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
Cash and cash equivalents	\$ 328,338	\$ 44,798	\$ 4,334	\$ 69,553	\$ 280,381	\$ -	\$ 727,404
Taxes receivable, net	-	45	1,490	306	2,905	7	4,753
<b>TOTAL ASSETS</b>	<b>\$ 328,338</b>	<b>\$ 44,843</b>	<b>\$ 5,824</b>	<b>\$ 69,859</b>	<b>\$ 283,286</b>	<b>\$ 7</b>	<b>\$ 732,157</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ -	\$ 770	\$ -	\$ -	\$ 16,599	\$ -	\$ 17,369
Due to other funds	1,619	-	-	-	1,271	-	2,890
<b>TOTAL LIABILITIES</b>	<b>1,619</b>	<b>770</b>	<b>-</b>	<b>-</b>	<b>17,870</b>	<b>-</b>	<b>20,259</b>
<b>TOTAL LIABILITIES</b>	<b>1,619</b>	<b>770</b>	<b>-</b>	<b>-</b>	<b>17,870</b>	<b>-</b>	<b>20,259</b>
<b>FUND BALANCES:</b>							
Restricted:							
Streets and highways	326,719	-	-	-	-	-	326,719
Street lighting	-	44,073	-	-	-	-	44,073
Fire protection	-	-	5,824	-	-	-	5,824
Fire hydrant	-	-	-	69,859	-	-	69,859
Recreation	-	-	-	-	265,416	-	265,416
Debt service	-	-	-	-	-	7	7
<b>TOTAL FUND BALANCES</b>	<b>326,719</b>	<b>44,073</b>	<b>5,824</b>	<b>69,859</b>	<b>265,416</b>	<b>7</b>	<b>711,898</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 328,338</b>	<b>\$ 44,843</b>	<b>\$ 5,824</b>	<b>\$ 69,859</b>	<b>\$ 283,286</b>	<b>\$ 7</b>	<b>\$ 732,157</b>

**LOWER GWYNEDD TOWNSHIP  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Fire Hydrant Fund	Recreation Fund	Debt Service Fund	Total
<b>REVENUES</b>							
Taxes	\$ -	\$ 16,556	\$ 197,676	\$ 40,495	\$ 385,295	\$ 1,008	\$ 641,030
Interest and rents	12,742	1,043	1,693	1,380	5,242	118	22,218
Intergovernmental revenues	388,005	-	-	-	-	-	388,005
Charges for services	3,630	-	-	-	59,379	-	63,009
Contributions	-	-	-	-	25	-	25
<b>TOTAL REVENUES</b>	<u>404,377</u>	<u>17,599</u>	<u>199,369</u>	<u>41,875</u>	<u>449,941</u>	<u>1,126</u>	<u>1,114,287</u>
<b>EXPENDITURES</b>							
Public works - highways and streets	366,495	12,311	-	40,969	-	-	419,775
Culture and recreation	-	-	-	-	465,210	-	465,210
Insurance	-	-	3,433	-	4,232	-	7,665
Workmen's Compensation	-	-	38,854	-	6,314	-	45,168
Payments to fire companies	-	-	316,362	-	-	-	316,362
Debt service	-	-	2,982	-	-	274,470	277,452
<b>TOTAL EXPENDITURES</b>	<u>366,495</u>	<u>12,311</u>	<u>361,631</u>	<u>40,969</u>	<u>475,756</u>	<u>274,470</u>	<u>1,531,632</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>37,882</u>	<u>5,288</u>	<u>(162,262)</u>	<u>906</u>	<u>(25,815)</u>	<u>(273,344)</u>	<u>(417,345)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	-	165,000	-	94,016	258,353	517,369
Proceeds from sale of asset	25,703	-	-	-	-	-	25,703
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>25,703</u>	<u>-</u>	<u>165,000</u>	<u>-</u>	<u>94,016</u>	<u>258,353</u>	<u>543,072</u>
<b>NET CHANGE IN FUND BALANCES</b>	63,585	5,288	2,738	906	68,201	(14,991)	125,727
<b>FUND BALANCES, BEGINNING OF YEAR</b>	263,134	38,785	3,086	68,953	197,215	14,998	586,171
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 326,719</u>	<u>\$ 44,073</u>	<u>\$ 5,824</u>	<u>\$ 69,859</u>	<u>\$ 265,416</u>	<u>\$ 7</u>	<u>\$ 711,898</u>

**LOWER GWYNEDD TOWNSHIP  
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2019**

	Non-Uniformed Pension Fund	Police Pension Fund	Other Post- Employment Benefits	Defined Contribution Plan	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 120,172	\$ 344,388	\$ 305	\$ 120,121	\$ 584,986
Investments	5,736,389	15,294,908	814,698	-	21,845,995
Accounts receivable	147	420	1	-	568
<b>TOTAL ASSETS</b>	<u>\$ 5,856,708</u>	<u>\$ 15,639,716</u>	<u>\$ 815,004</u>	<u>\$ 120,121</u>	<u>\$ 22,431,549</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted for pension benefits	5,856,708	15,639,716	-	120,121	21,616,545
Restricted for other postemployment benefits	-	-	815,004	-	815,004
<b>TOTAL NET POSITION</b>	<u>5,856,708</u>	<u>15,639,716</u>	<u>815,004</u>	<u>120,121</u>	<u>22,431,549</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 5,856,708</u>	<u>\$ 15,639,716</u>	<u>\$ 815,004</u>	<u>\$ 120,121</u>	<u>\$ 22,431,549</u>

**LOWER GWYNEDD TOWNSHIP  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Other Post- Employment Benefits</u>	<u>Defined Contribution Plan</u>	<u>Total</u>
<b>ADDITIONS</b>					
Contributions:					
Employer contribution	\$ 237,625	\$ 1,106,711	\$ 225,000	\$ 18,647	\$ 1,587,983
Employee contribution	-	121,645	-	-	121,645
Total Contributions	<u>237,625</u>	<u>1,228,356</u>	<u>225,000</u>	<u>18,647</u>	<u>1,709,628</u>
Investment Income:					
Net realized/unrealized gain on investments	882,624	2,291,257	103,604	21,774	3,299,259
Interest and dividends, net of expenses	138,542	365,367	18,128	-	522,037
Net Investment Income	<u>1,021,166</u>	<u>2,656,624</u>	<u>121,732</u>	<u>21,774</u>	<u>3,821,296</u>
<b>TOTAL ADDITIONS</b>	<u>1,258,791</u>	<u>3,884,980</u>	<u>346,732</u>	<u>40,421</u>	<u>5,530,924</u>
<b>DEDUCTIONS</b>					
Benefits paid	240,690	502,568	10,490	-	753,748
<b>TOTAL DEDUCTIONS</b>	<u>240,690</u>	<u>502,568</u>	<u>10,490</u>	<u>-</u>	<u>753,748</u>
<b>CHANGE IN NET POSITION</b>	1,018,101	3,382,412	336,242	40,421	4,777,176
<b>NET POSITION, BEGINNING OF YEAR</b>	4,838,607	12,257,304	478,762	79,700	17,654,373
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,856,708</u>	<u>\$ 15,639,716</u>	<u>\$ 815,004</u>	<u>\$ 120,121</u>	<u>\$ 22,431,549</u>

## **OTHER REPORT**





INDEPENDENT AUDITOR'S 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

August 27, 2020

Board of Supervisors  
Lower Gwynedd Township  
Spring House, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township ("the Township"), Spring House, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 27, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

Board of Supervisors  
Lower Gwynedd Township

corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

#### Purpose of This Report

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

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP