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**LOWER GWYNEDD TOWNSHIP**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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LOWER GWYNEDD TOWNSHIP

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

June 20, 2017

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, 2016, 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. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Township'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 Township's internal control. Accordingly, we express no such opinion. An audit

Board of Supervisors  
Lower Gwynedd Township

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township, Spring House, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 2015 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 June 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Township has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15; the trend data on infrastructure condition; the pension funds schedules of changes in the Township's net pension liability, related ratios, and investment returns; the pension funds schedules of employer contributions, and the post-employment healthcare benefits schedule of funding progress on pages 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township'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 June 20, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township'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, 2016**

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, 2016. 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 \$1,849,365 to end the year at \$43,928,101. Of this amount, \$8,459,007 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The amount unrestricted net position increased by was \$1,251,974 in 2016.
- As of December 31, 2016, the fund balance for the General Fund was \$3,667,780, compared to \$2,693,865 at December 31, 2015.
- The Township's combined net pension liability for the Police and Non-Uniformed defined benefit pensions decreased by \$350,888 in 2016. The ending net pension liability for the Police and Non-Uniformed plans was \$3,104,826 and \$341,648, respectively.
- The unfunded actuarial accrued liability for post-employment healthcare benefits amounted to \$1,089,197 at January 1, 2016.
- Total outstanding debt in the Township decreased by \$502,989, ending the year at \$1,593,164.
- The Township's current debt rating remains at Aaa by Moody's Investors Service.
- The 2017 Township's 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 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.



**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

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 and Fiduciary 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, Sewer Reserve Fund, and Municipal Authority, 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 liability, related ratios, and investment returns; the schedules of employer pension contributions; and the schedule of funding progress for the post-employment healthcare benefits plan.
- Other Supplementary Information consists of the following:
  - Combining Balance Sheet and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Governmental Funds.
  - Combining Schedule of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position for Fiduciary Funds.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

**REPORTING THE TOWNSHIP AS A WHOLE**

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

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

These two statements report the Township's net position and changes in it during the year. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. 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 Township also includes a separate legal entity in its report – the Lower Gwynedd Township Municipal Authority. The Municipal Authority is a public authority, which exists to provide facilities for use in the sewer operation of the Township Sewer Fund. The Municipal Authority is considered a blended component unit and is included with the business-type activities. The Municipal Authority defeased the remaining portion of the Guaranteed Sewer Revenue Bonds in December 2015 and was dissolved in April 2016.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,928,101 at the close of 2016. This is an increase of \$1,849,365 from the previous year. This increase is due primarily to increases in the amounts collected for charges for services and contributions.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

**Table 1  
STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>						
Cash and investments	\$ 9,266,759	\$ 8,800,817	\$ 3,589,649	\$ 2,635,417	\$12,856,408	\$11,436,234
Other assets	837,025	733,266	96,986	34,868	934,011	768,134
Capital assets	33,114,323	33,197,476	2,702,255	2,677,026	35,816,578	35,874,502
<b>Total Assets</b>	<u>42,218,107</u>	<u>42,731,559</u>	<u>6,388,890</u>	<u>5,347,311</u>	<u>49,606,997</u>	<u>48,078,870</u>
<b>Deferred Outflows of Resources</b>						
	746,580	840,896	-	-	746,580	840,896
<b>Liabilities:</b>						
Current liabilities	940,248	874,938	365,762	63,644	1,306,010	938,582
Long-term debt, net	964,033	1,500,249	-	-	964,033	1,500,249
Other liabilities	4,148,452	4,391,424	-	-	4,148,452	4,391,424
<b>Total Liabilities</b>	<u>6,052,733</u>	<u>6,766,611</u>	<u>365,762</u>	<u>63,644</u>	<u>6,418,495</u>	<u>6,830,255</u>
<b>Deferred Inflows of Resources</b>						
	6,981	10,775	-	-	6,981	10,775
<b>Net Position:</b>						
Net investment in capital assets	31,524,700	31,106,631	2,702,255	2,677,026	34,226,955	33,783,657
Restricted	1,242,139	1,088,046	-	-	1,242,139	1,088,046
Unrestricted	5,138,134	4,600,392	3,320,873	2,606,641	8,459,007	7,207,033
<b>TOTAL NET POSITION</b>	<u>\$37,904,973</u>	<u>\$36,795,069</u>	<u>\$ 6,023,128</u>	<u>\$ 5,283,667</u>	<u>\$43,928,101</u>	<u>\$42,078,736</u>

The largest portion of the Township's net position, \$34,226,955 or 77.9 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 investments represent 25.9 percent of the Township's total assets.

Total long-term debt is \$1,593,164, net (\$629,131 current and \$964,033 long-term). The proceeds were used to finance two major projects; the expansion of the municipal complex including the installation of an emergency generator and the construction of Pen-Ambler Park. The expansion of the municipal complex and the construction of Pen-Ambler Park have been completed. Funds from the Bond proceeds, originally budgeted for the Fire/Ambulance Sub-Station, were reallocated for the installation of an emergency generator at the Township Building. Due to unexpected difficulties in acquiring land, the construction of the Fire/Ambulance Sub-Station has been postponed.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

Assets in the business-type activities column reflect the Township's investment in its sewer system. Cash and investments represent 56.2 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.

Accumulated depreciation reflects 24.5 percent of total capital assets for governmental activities and 86.8 percent of total capital assets for business-type activities. The percentages reflect the Township's commitment to provide services through effective and efficient use of resources.

***Governmental Activities***

The Township generates governmental revenues from a variety of sources as described in the Statement of Changes in Net Position. Total revenue, excluding interfund transfers, for governmental activities for fiscal 2016 was \$10,292,953.

The Township's governmental activities recognized a net increase of \$1,109,904, and the business-type activities recognized a net increase of \$739,461. The total increase of net position for the Township was \$1,849,365.

Table 2 shows the changes in net position for the years ended December 31, 2016 and 2015.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$1,161,899	\$ 825,146	\$ 2,989,002	\$ 2,607,638	\$ 4,150,901	\$3,432,784
Operating grants and contributions	1,061,011	696,532	-	-	1,061,011	696,532
Capital grants and contributions	330,751	102,791	-	-	330,751	102,791
General revenues:						
Real estate taxes	1,665,699	1,652,982	-	-	1,665,699	1,652,982
Transfer taxes	496,825	957,264	-	-	496,825	957,264
Earned income tax	4,287,721	4,293,239	-	-	4,287,721	4,293,239
Local service tax	353,684	338,370	-	-	353,684	338,370
Business privilege tax	301,597	286,941	-	-	301,597	286,941
Mercantile tax	200,117	171,926	-	-	200,117	171,926
Cable TV franchise fees	310,147	298,818	-	-	310,147	298,818
Investment income	89,183	110,995	26,996	20,486	116,179	131,481
Gain on sale or disposal of assets	8,199	20,251	-	-	8,199	20,251
Miscellaneous	26,120	15,462	29,675	26,701	55,795	42,163
<b>TOTAL REVENUES</b>	<u>10,292,953</u>	<u>9,770,717</u>	<u>3,045,673</u>	<u>2,654,825</u>	<u>13,338,626</u>	<u>12,425,542</u>

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

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

<i>(cont'd)</i>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>EXPENSES</b>						
General government	1,357,553	1,445,625	-	-	1,357,533	1,445,625
Public safety	4,239,382	4,139,406	-	-	4,239,382	4,139,406
Public works - highways and streets	1,893,633	1,856,625	-	-	1,893,633	1,856,625
Culture and recreation	647,042	585,481	-	-	647,042	585,481
Insurance	55,310	58,480	-	-	55,310	58,480
Workmen's compensation	106,021	91,771	-	-	106,021	91,771
Payments to fire companies	245,533	171,349	-	-	245,533	171,349
Interest on long-term debt	30,079	41,842	-	-	30,079	41,842
Depreciation, unallocated	731,978	731,336	-	-	731,978	731,336
Sewer	-	-	2,182,730	2,382,274	2,182,730	2,382,274
<b>TOTAL EXPENSES</b>	<b>9,306,531</b>	<b>9,121,915</b>	<b>2,182,730</b>	<b>2,382,274</b>	<b>11,489,261</b>	<b>11,504,189</b>
Change in net position before interfund transfers	986,422	648,802	913,229	272,551	1,899,651	921,353
Interfund transfers, net	123,482	132,021	(123,482)	(132,021)	-	-
<b>CHANGE IN NET POSITION</b>	1,109,904	780,823	739,461	140,530	1,849,365	921,353
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>36,795,069</b>	<b>36,014,246</b>	<b>5,283,667</b>	<b>5,143,137</b>	<b>42,078,736</b>	<b>41,157,383</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$37,904,973</b>	<b>\$36,795,069</b>	<b>\$ 6,023,128</b>	<b>\$ 5,283,667</b>	<b>\$43,928,101</b>	<b>\$42,078,736</b>

The cost of all governmental activities this year was \$9,306,531. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$7,305,643.

As indicated by the governmental program expenses, public safety programs account for approximately 45.6 percent of the total expenditures of the Township's governmental activities. General administration and public works - highways and streets services account for approximately 14.6 percent and 20.3 percent, respectively, of the total expenditures for 2016.

Real estate taxes, earned income taxes, and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 16.2 percent and 4.8 percent of total governmental revenues, respectively. Earned income taxes provide 41.7 percent of the governmental revenues. Local service tax provided 3.4 percent of the total governmental revenues. Below are the 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, 2016**

**Real Estate Tax**

Year	Assessment	Rate of Change	Change in Assessment	Millage	Assessed Change	Increase in Tax Billed	Tax Billed	Tax Collected at Face
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
2009	1,347,993,830	101.45%	19,240,240	1.117	21,491	21,491	1,521,636	1,511,959
2008	1,328,753,590	101.38%	18,146,970	1.117	20,270	20,257	1,500,145	1,495,715
2007	1,310,606,620	100.97%	12,571,660	1.117	14,043	14,730	1,479,888	1,470,706

**Transfer Tax**

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$ 496,825	\$ 957,264	\$ 385,405	\$ 441,549	\$ 341,354	\$ 296,300	\$ 318,563	\$ 335,550	\$ 666,429	\$ 653,528

**Earned Income Tax**

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$4,287,721	\$4,293,239	\$4,194,837	\$4,233,540	\$3,463,874	\$2,865,290	\$3,053,273	\$2,956,517	\$3,350,100	\$3,248,253

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.

The adoption of GASB Statement No. 68 has had, and will continue to have, a profound effect on the financial statements and net position of governments not only in Pennsylvania, but across the nation. 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 as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

The new standard 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 will report the net pension liability 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 liability for the Police Pension and Non-Uniformed Pension total \$3,446,474, a decrease of \$350,888 from the previous year.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

The net pension liability 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.

**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 Municipal Authority, which occurred on April 7, 2016. The Township continues to be responsible for the operation, maintenance, and repair of the sewer system. Total revenue from sewer fund operations was \$2,989,002, which exceeded operating expenses by 36.9 percent. Operating revenue in the sewer fund exceeded 2015 by \$381,364 primarily due to Tap-In fees for new large scale commercial developments. Total operating expenses were \$2,182,730. Sewer rates for 2016 are based on metered water consumption at \$80.00 for 12,000 gallons and \$5.25 per additional 1,000 gallons per quarter. These rates have been in effect since July 2010. In December 2016, the Board of Supervisors approved a rate increase of 10 percent beginning January 1, 2017.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budget amendments fall into two categories, transfers or supplemental appropriations. Unencumbered transfers can only be made 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 a result of additional unanticipated revenues. The following is a brief summary of budget amendments between the original budget and the final amended budget for fiscal 2016:

- An additional amount of approximately \$146,000 in Real Estate Transfer Tax was received over the amount originally budgeted. Real Estate Transfer Taxes are hard to predict and, thus, the Township has taken a conservative approach to budgeting this line item.
- An additional amount of approximately \$287,000 in Earned Income Taxes were received above the amount originally budgeted of \$4,000,000. The Township also takes a conservative approach to budgeting this line item, as these types of income taxes may drop quickly when there is an economic downturn.
- Building permit fees related to large scale commercial developments in the amount of \$250,000 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.
- During 2016, the Township received a contribution of \$250,000 which was not anticipated at the time the budget was approved.
- An additional amount of \$350,000 was budgeted in the General Fund for transfers to the Capital Reserve Fund according to the Township's Fund Balance policy.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

**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, 2016, totals \$33,114,323 and \$2,702,255, 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.

	<b>CAPITAL ASSETS (Net of Depreciation)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$10,980,237	\$10,876,562	\$ -	\$ -	\$10,980,237	\$10,876,562
Construction-in-progress	27,094	184,501	-	-	27,094	184,501
Buildings and improvements	4,171,865	4,450,300	-	-	4,171,865	4,450,300
Furniture and equipment	935,494	987,945	-	-	935,494	987,945
Infrastructure	16,999,633	16,698,168	-	-	16,999,633	16,698,168
Sewer system and equipment	-	-	2,702,255	2,677,026	2,702,255	2,677,026
	<u>\$33,114,323</u>	<u>\$33,197,476</u>	<u>\$ 2,702,255</u>	<u>\$ 2,677,026</u>	<u>\$35,816,578</u>	<u>\$35,874,502</u>

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

<b>Governmental Activities:</b>	
Purchase of Real Estate for future municipal building	\$ 103,675
Green Ribbon Trail/Bridge project	179,035
Ford 250 – Public Works Vehicle	42,450
Chevrolet Tahoe – Police Vehicle	48,486
Ford Explorer – Police Vehicle	50,179
<b>Business-type Activities:</b>	
Sewer system improvement and equipment	\$ 272,709

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



**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

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 \$1,593,164 compared to \$2,096,153 the previous year. The debt that is due within one year for governmental activities is \$629,131. For the business-type activities, the bonds were defeased on December 16, 2015, in preparation for the dissolution of the Municipal Authority, which occurred on April 7, 2016.

**OUTSTANDING DEBT**

	<b>Bonds and Notes Payable</b>	
	<b>2016</b>	<b>2015</b>
Governmental activities	\$ 1,593,164	\$ 2,096,153
<b>TOTAL</b>	<b>\$ 1,593,164</b>	<b>\$ 2,096,153</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 School, Middle, and Elementary Schools; as well as the prestigious Gwynedd Mercy Academy Elementary and High Schools. These schools provide convenient and close access to both public and private educational institutions.

Local industry, close proximity to major employment centers and educational institutions, play an important role in the Township's economy. The largest employer in the Township is Janssen, 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).

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

Merck & Co. has their world headquarters in West Point, Pennsylvania, approximately five miles west of the Township. Merck & Co. owns a 130-acre site on Sumneytown Pike which is mostly undeveloped. The former Dow Chemical site on Norristown Road is currently on the market. The 130-acre parcel adjacent to the 309 Expressway is under agreement of sale with early indications for a mixed use site consisting of retail, office, and residential uses.

BASF (Cognis) has leased their 25-acre site on Pen Ambler Road to Ambler Yards, which will be rehabbing the existing industrial buildings on the site, creating a mixed-use campus consisting of industrial office, personal service, and residential uses in this area. The potential of 400 new jobs are anticipated with the proposed plan.

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 also projecting that the Township's population will grow an additional 9.6 percent over the next 30 years.

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 2015 was \$380,500 compared to the median sale price of \$278,500 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 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. This approach has enabled the Township to create significant cash reserves in the General Fund and Capital Reserve Fund and has reduced the impact of recent revenue shortfalls when the 2008 recession hit the nation.

Receipts are monitored closely in order to proactively adjust to economic conditions. The Township had a modest tax increase in 2012 from 1.117 mills to 1.223 mills.

The 2017 Budget and Fiscal Plan was approved by the Board of Supervisors on December 8, 2016 with no real estate tax increase. The General Fund Budget will total \$8,884,388, representing an increase of 11.4 percent, compared to the 2016 General Fund Budget. A property assessed at \$350,000 will pay \$428.05 in Township Real Estate Taxes in 2017.

The 2017 fiscal plan includes the following:

- There is no tax increase proposed.

**LOWER GWYNEDD TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
DECEMBER 31, 2016**

- A four percent wage increase for members of the police bargaining unit.
- A three percent wage increase for non-uniformed personnel.
- Forty-seven percent of General Fund revenues will be derived from the Earned Income Tax ("EIT") in 2017. 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 EITs 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 accumulated an unassigned fund balance in the general fund which is projected to be in excess of \$3,000,000 at year end (2017).
- A transfer of \$787,378 to the Police Pension Fund from the General Fund is included in the 2017 budget.
- The 2017 budget also includes a transfer of \$173,265 to the Non-Uniformed Pension Fund.
- The 2017 budget includes a transfer of \$745,964 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.
- A 10 percent sewer rate increase for 2017 was approved by the Board of Supervisors in December 2016 and is included in the 2017 budget.
- The 2017 Sewer Fund budget includes a \$650,000 transfer to the Sewer Capital Reserve budget to better ensure that the system is adequately maintained.

In conclusion, the Township's financial position continues to be very strong. The 2017 Budget and Fiscal Plan that was adopted by the Board of Supervisors did not require a tax increase. The Township continues to adhere to its Fund Balance Policy, providing a fiscal cushion in the event of a future economic slowdown. The 2017 Budget and Fiscal Plan includes the resources to continue to improve services while maintaining a very strong balance sheet to meet future needs.

#### **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, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	Governmental Activities	Business-type Activities	Total	
			2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 9,266,759	\$ 3,440,358	\$ 12,707,117	\$ 11,411,638
Accounts receivable	37,788	-	37,788	29,406
Taxes receivable	490,073	-	490,073	482,679
Grants receivable	300,003	-	300,003	102,791
Interest receivable	3,044	1,351	4,395	7,262
Sewer fees receivable	-	30,923	30,923	49,515
Assessments receivable, current	-	16,840	16,840	15,930
Internal balances	428	(428)	-	-
Prepaid expenses	5,689	6,730	12,419	13,672
Total Current Assets	<u>10,103,784</u>	<u>3,495,774</u>	<u>13,599,558</u>	<u>12,112,893</u>
Noncurrent Assets:				
Restricted cash	-	149,291	149,291	17,937
Restricted investments	-	-	-	6,659
Assessments receivable	-	41,570	41,570	66,879
Capital assets:				
Land	10,980,237	-	10,980,237	10,876,562
Construction-in-progress	27,094	-	27,094	184,501
Buildings and building improvements	9,666,440	-	9,666,440	9,628,470
Furniture and equipment	2,501,933	-	2,501,933	2,414,540
Infrastructure	20,706,857	-	20,706,857	20,192,554
Sewer system and equipment	-	20,533,645	20,533,645	20,344,448
Accumulated depreciation	<u>(10,768,238)</u>	<u>(17,831,390)</u>	<u>(28,599,628)</u>	<u>(27,766,573)</u>
Total Noncurrent Assets	<u>33,114,323</u>	<u>2,893,116</u>	<u>36,007,439</u>	<u>35,965,977</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on bond refunding	3,541	-	3,541	5,308
Deferred equipment purchase	116,142	-	116,142	-
Deferred outflows of resources - pensions	626,897	-	626,897	835,588
Total Deferred Outflows of Resources	<u>746,580</u>	<u>-</u>	<u>746,580</u>	<u>840,896</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 43,964,687</b></u>	<u><b>\$ 6,388,890</b></u>	<u><b>\$ 50,353,577</b></u>	<u><b>\$ 48,919,766</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 298,737	\$ 216,471	\$ 515,208	\$ 308,976
Accrued interest	11,340	-	11,340	15,765
Unearned revenues	1,040	-	1,040	-
Escrow deposits	-	149,291	149,291	17,937
Current portion of bonds and notes payable, net	629,131	-	629,131	595,904
Total Current Liabilities	<u>940,248</u>	<u>365,762</u>	<u>1,306,010</u>	<u>938,582</u>
Noncurrent Liabilities:				
Bonds and notes payable, net	964,033	-	964,033	1,500,249
Other post employment benefits obligation	701,978	-	701,978	594,062
Net pension liability	3,446,474	-	3,446,474	3,797,362
Total Noncurrent Liabilities	<u>5,112,485</u>	<u>-</u>	<u>5,112,485</u>	<u>5,891,673</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	6,981	-	6,981	10,775
Total Deferred Inflows of Resources	<u>6,981</u>	<u>-</u>	<u>6,981</u>	<u>10,775</u>
<b>NET POSITION</b>				
Net investment in capital assets	31,524,700	2,702,255	34,226,955	33,783,657
Restricted	1,242,139	-	1,242,139	1,088,046
Unrestricted	5,138,134	3,320,873	8,459,007	7,207,033
Total Net Position	<u>37,904,973</u>	<u>6,023,128</u>	<u>43,928,101</u>	<u>42,078,736</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><b>\$ 43,964,687</b></u>	<u><b>\$ 6,388,890</b></u>	<u><b>\$ 50,353,577</b></u>	<u><b>\$ 48,919,766</b></u>

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

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	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	\$ 1,357,553	\$ 55,987	\$ 133,539	\$ (754,055)	\$ -	\$ (1,071,875)
Public safety	4,239,382	163,466	-	(3,410,002)	-	(3,561,982)
Public works - highways and streets	1,893,633	3,751	-	(1,434,977)	-	(1,478,231)
Culture and recreation	647,042	250,000	197,212	(121,568)	-	(427,905)
Insurance	55,310	-	-	(55,310)	-	(58,480)
Workmen's compensation	106,021	-	-	(106,021)	-	(91,771)
Payments to fire companies	245,533	136,653	-	(108,880)	-	(34,024)
Interest on long-term debt	30,079	-	-	(30,079)	-	(41,842)
Depreciation, unallocated	731,978	-	-	(731,978)	-	(731,336)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>9,306,531</b>	<b>1,061,011</b>	<b>330,751</b>	<b>(6,752,870)</b>	<b>-</b>	<b>(7,497,446)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Sewer	2,182,730	-	-	-	806,272	225,364
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,182,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>806,272</b>	<b>225,364</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 11,489,261</b>	<b>\$ 1,061,011</b>	<b>\$ 330,751</b>	<b>(6,752,870)</b>	<b>(5,946,598)</b>	<b>(7,272,082)</b>
<b>GENERAL REVENUES</b>						
Taxes:						
Property taxes				1,665,699	-	1,665,699
Transfer taxes				496,825	-	496,825
Earned income taxes				4,287,721	-	4,287,721
Local service tax				353,684	-	353,684
Business privilege and mercantile taxes				501,714	-	501,714
Cable TV franchise fees				310,147	-	310,147
Investment income				89,183	26,996	116,179
Interfund transfers				123,482	(123,482)	-
Gain on sale/disposition of assets				8,199	-	8,199
Miscellaneous				26,120	29,675	55,795
<b>TOTAL GENERAL REVENUES</b>				<b>7,862,774</b>	<b>(66,811)</b>	<b>7,795,963</b>
<b>CHANGE IN NET POSITION</b>				<b>1,109,904</b>	<b>739,461</b>	<b>1,849,365</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>36,795,069</b>	<b>5,283,667</b>	<b>41,157,383</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 37,904,973</b>	<b>\$ 6,023,128</b>	<b>\$ 42,078,736</b>

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

**LOWER GWYNEDD TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	General Fund	Open Space Fund	Capital Reserve Fund	Other Governmental Funds	Totals	
					2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Cash and cash equivalents	\$ 3,390,660	\$ 837,710	\$ 3,783,164	\$ 1,255,225	\$ 9,266,759	\$ 8,800,817
Accounts receivable	37,474	-	-	314	37,788	29,406
Taxes receivable, net	482,375	-	-	7,698	490,073	482,679
Grants receivable	-	300,003	-	-	300,003	102,791
Interest receivable	686	212	1,648	498	3,044	5,894
Prepaid expenditures	5,689	-	-	-	5,689	5,557
Due from other funds	2,865	-	-	-	2,865	126,079
<b>TOTAL ASSETS</b>	<u>3,919,749</u>	<u>1,137,925</u>	<u>3,784,812</u>	<u>1,263,735</u>	<u>10,106,221</u>	<u>9,553,223</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred equipment purchase	101,255	-	-	14,887	116,142	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>101,255</u>	<u>-</u>	<u>-</u>	<u>14,887</u>	<u>116,142</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 4,021,004</u>	<u>\$ 1,137,925</u>	<u>\$ 3,784,812</u>	<u>\$ 1,278,622</u>	<u>\$ 10,222,363</u>	<u>\$ 9,553,223</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Accounts payable and accrued expenses	\$ 272,171	-	\$ 3,267	\$ 23,299	\$ 298,737	\$ 263,269
Unearned revenue	-	-	-	1,040	1,040	-
Due to other funds	49	687	1,467	234	2,437	19,140
<b>TOTAL LIABILITIES</b>	<u>272,220</u>	<u>687</u>	<u>4,734</u>	<u>24,573</u>	<u>302,214</u>	<u>282,409</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred note proceeds	81,004	-	-	11,910	92,914	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>81,004</u>	<u>-</u>	<u>-</u>	<u>11,910</u>	<u>92,914</u>	<u>-</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>353,224</u>	<u>687</u>	<u>4,734</u>	<u>36,483</u>	<u>395,128</u>	<u>282,409</u>
<b>FUND BALANCES</b>						
Nonspendable	5,689	-	-	-	5,689	5,557
Restricted:						
Streets and highways	-	-	-	234,402	234,402	135,606
Street lighting	-	-	-	27,022	27,022	22,829
Fire protection	-	-	-	5,147	5,147	2,099
Fire hydrant	-	-	-	68,434	68,434	68,466
Recreation	-	-	-	35,023	35,023	8,593
Traffic impact fees	-	-	-	859,179	859,179	838,076
Debt service	-	-	-	7,684	7,684	7,144
Industrial compact	-	-	-	5,248	5,248	5,233
Assigned:						
Capital projects	-	1,137,238	3,780,078	-	4,917,316	5,488,903
Recreation	250,000	-	-	-	250,000	-
Unassigned	3,412,091	-	-	-	3,412,091	2,688,308
<b>TOTAL FUND BALANCES</b>	<u>3,667,780</u>	<u>1,137,238</u>	<u>3,780,078</u>	<u>1,242,139</u>	<u>9,827,235</u>	<u>9,270,814</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,021,004</u>	<u>\$ 1,137,925</u>	<u>\$ 3,784,812</u>	<u>\$ 1,278,622</u>	<u>\$ 10,222,363</u>	<u>\$ 9,553,223</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, 2016**

TOTAL GOVERNMENTAL FUND BALANCES \$ 9,827,235

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. 33,114,323

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.

Accrued interest	(11,340)
Bonds and notes payable, net	(1,593,164)
Other post-employment benefits	(701,978)
Net pension liability	(3,446,474)

Deferred inflows and outflows of resources related to the Township's net pension 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 of resources - pensions	626,897
Deferred inflows of resources - pensions	(6,981)

Governmental funds report deferred inflows related to the Townships' promissory note. However, these amounts are reported on the statement of net position as notes payable. 92,914

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. 3,541

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 37,904,973

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, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	General Fund	Open Space Fund	Capital Reserve Fund	Other Governmental Funds	2016	2015
<b>REVENUES</b>						
Taxes	\$ 6,442,226	-	-	\$ 863,417	\$ 7,305,643	\$ 7,705,317
Licenses and permits	350,782	-	-	-	350,782	335,883
Fines, forfeits, and costs	19,890	-	-	-	19,890	22,001
Interest and rents	319,145	5,464	39,100	10,410	374,119	334,258
Intergovernmental revenues	429,221	197,212	37,667	344,123	1,008,223	799,323
Charges for services/fees	683,616	-	-	132,822	816,438	542,817
Contributions	250,000	-	133,539	21,217	404,756	95
Miscellaneous revenue	4,073	-	-	-	4,073	1,823
<b>TOTAL REVENUES</b>	<u>8,498,953</u>	<u>202,676</u>	<u>210,306</u>	<u>1,371,989</u>	<u>10,283,924</u>	<u>9,741,517</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,365,479	100	83,988	449	1,450,016	1,636,678
Public safety	4,436,616	-	42,161	-	4,478,777	4,388,923
Public works - highways and streets	673,287	-	1,039,585	338,189	2,051,061	2,131,647
Culture and recreation	-	184,789	53,126	610,829	848,744	743,209
Insurance	49,538	-	-	5,772	55,310	58,480
Workmen's compensation	70,895	-	35,126	35,126	106,021	91,771
Payments to fire companies	-	-	-	245,533	245,533	171,349
Debt service	20,251	-	-	631,617	651,868	625,290
<b>TOTAL EXPENDITURES</b>	<u>6,616,066</u>	<u>184,889</u>	<u>1,218,860</u>	<u>1,867,515</u>	<u>9,887,330</u>	<u>9,847,347</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,882,887</u>	<u>17,787</u>	<u>(1,008,554)</u>	<u>(495,526)</u>	<u>396,594</u>	<u>(105,830)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunds of prior year revenues	-	-	-	-	-	(23,258)
Refunds of prior year expenditures	-	-	-	2,087	2,087	-
Interfund transfers in	635,178	-	408,760	1,218,255	2,262,193	2,912,808
Interfund transfers out	(1,564,401)	-	-	(574,310)	(2,138,711)	(2,780,787)
Proceeds from sale of assets	-	-	10,420	610	11,030	51,694
Proceeds from promissory note	20,251	-	-	2,977	23,228	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(908,972)</u>	<u>-</u>	<u>419,180</u>	<u>649,619</u>	<u>159,827</u>	<u>160,457</u>
<b>NET CHANGE IN FUND BALANCES</b>	973,915	17,787	(589,374)	154,093	556,421	54,627
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>2,693,865</u>	<u>1,119,451</u>	<u>4,369,452</u>	<u>1,088,046</u>	<u>9,270,814</u>	<u>9,216,187</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 3,667,780</u>	<u>\$ 1,137,238</u>	<u>\$ 3,780,078</u>	<u>\$ 1,242,139</u>	<u>\$ 9,827,235</u>	<u>\$ 9,270,814</u>

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



**LOWER GWYNEDD TOWNSHIP**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 556,421

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	\$ 650,924	
Depreciation expense	<u>(731,978)</u>	(81,054)

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold and the fair market value of capital assets traded in. (2,099)

Governmental funds report debt proceeds as an increase in financial resources. In the statement of activities, proceeds from debt are recorded as a liability. (23,228)

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. 613,228

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 deferred charges on refunding	(1,767)	
Decrease in accrued interest payable	4,425	
Decrease in bond premium	5,903	
Increase in other post-employment benefits	<u>(107,916)</u>	(99,355)

Pension expenses 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. 145,991

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,109,904

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, 2016**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,906,000	\$ 6,445,112	\$ 6,442,226	\$ (2,886)
Licenses and permits	325,800	329,425	350,782	21,357
Fines, forfeits, and costs	20,000	20,000	19,890	(110)
Interest and rents	289,168	318,851	319,145	294
Intergovernmental revenues	261,385	290,036	429,221	139,185
Charges for services/fees	434,918	656,934	683,616	26,682
Contributions	-	250,000	250,000	-
Miscellaneous revenue	1,800	1,800	4,073	2,273
<b>TOTAL REVENUES</b>	<u>7,239,071</u>	<u>8,312,158</u>	<u>8,498,953</u>	<u>186,795</u>
<b>EXPENDITURES</b>				
General government	1,405,205	1,437,538	1,365,479	72,059
Public safety	4,268,999	4,312,580	4,436,616	(124,036)
Public works - highways and streets	863,870	683,919	673,287	10,632
Insurance	49,538	49,538	49,538	-
Workmen's compensation	67,726	67,726	70,895	(3,169)
Debt service	-	-	20,251	(20,251)
<b>TOTAL EXPENDITURES</b>	<u>6,655,338</u>	<u>6,551,301</u>	<u>6,616,066</u>	<u>(44,514)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>583,733</u>	<u>1,760,857</u>	<u>1,882,887</u>	<u>142,281</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	635,178	635,178	635,178	-
Interfund transfers out	(1,218,911)	(1,568,895)	(1,564,401)	(4,494)
Proceeds from promissory note	-	-	20,251	(20,251)
<b>TOTAL OTHER FINANCING USES</b>	<u>(583,733)</u>	<u>(933,717)</u>	<u>(908,972)</u>	<u>(24,745)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	827,140	973,915	117,536
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,693,865</u>	<u>2,693,865</u>	<u>2,693,865</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,693,865</u>	<u>\$ 3,521,005</u>	<u>\$ 3,667,780</u>	<u>\$ 117,536</u>

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

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	Enterprise Funds			Totals	
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund	2016	2015
	-	-	-	-	-
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ -	\$ 1,826,059	\$ 1,614,299	\$ 3,440,358	\$ 2,610,821
Sewer fees receivable	-	30,923	-	30,923	49,515
Interest receivable	-	635	716	1,351	1,368
Assessments receivable, current portion	-	16,840	-	16,840	15,930
Due from other funds	-	49	-	49	47
Prepaid expenses	-	6,730	-	6,730	8,115
Total Current Assets	-	1,881,236	1,615,015	3,496,251	2,685,796
<b>Restricted Assets:</b>					
Cash	-	149,291	-	149,291	17,937
Investments	-	-	-	-	6,659
Total Restricted Assets	-	149,291	-	149,291	24,596
<b>Noncurrent Assets:</b>					
Assessments receivable	-	41,570	-	41,570	66,879
Sewer infrastructure and equipment	-	20,533,645	-	20,533,645	20,344,448
Less: Accumulated depreciation	-	(17,831,390)	-	(17,831,390)	(17,667,422)
Total Noncurrent Assets	-	2,743,825	-	2,743,825	2,743,905
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 4,774,352</b>	<b>\$ 1,615,015</b>	<b>\$ 6,389,367</b>	<b>\$ 5,454,297</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ -	\$ 78,545	\$ 137,926	\$ 216,471	\$ 45,707
Escrow deposits	-	149,291	-	149,291	17,937
Due to other funds	-	477	-	477	106,986
Total Current Liabilities	-	228,313	137,926	366,239	170,630
<b>NET POSITION</b>					
Net investment in capital assets	-	2,702,255	-	2,702,255	2,677,026
Unrestricted	-	1,843,784	1,477,089	3,320,873	2,606,641
Total Net Position	-	4,546,039	1,477,089	6,023,128	5,283,667
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ -</b>	<b>\$ 4,774,352</b>	<b>\$ 1,615,015</b>	<b>\$ 6,389,367</b>	<b>\$ 5,454,297</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, 2016**  
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Enterprise Funds			Eliminations	Totals	
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund		2016	2015
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 2,974,184	\$ -	\$ -	\$ 2,974,184	\$ 2,555,947
Fees and assessments	218	-	-	218	218	34,641
Other operating revenues	-	14,600	-	-	14,600	17,050
<b>TOTAL OPERATING REVENUES</b>	<b>218</b>	<b>2,988,784</b>	<b>-</b>	<b>-</b>	<b>2,989,002</b>	<b>2,607,638</b>
<b>OPERATING EXPENSES</b>						
Professional fees	5,734	43,833	-	-	49,567	67,377
Engineering fees	13,626	9,608	-	-	23,234	73,889
Rent	-	109,655	-	-	109,655	106,461
General operating expenses	-	496,395	-	-	496,395	706,432
Insurance	-	109,352	-	-	109,352	157,536
Workmen's compensation	-	8,907	-	-	8,907	12,833
Depreciation	-	247,480	-	-	247,480	221,928
Maintenance expense	-	205,709	97,064	-	302,773	137,562
Treatment expenses	-	834,620	-	-	834,620	774,293
Road repairs and maintenance	-	747	747	-	747	86,403
<b>TOTAL OPERATING EXPENSES</b>	<b>19,360</b>	<b>2,065,559</b>	<b>97,811</b>	<b>-</b>	<b>2,182,730</b>	<b>2,344,714</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(19,142)</b>	<b>923,225</b>	<b>(97,811)</b>	<b>-</b>	<b>806,272</b>	<b>262,924</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest expense	-	-	-	-	-	(37,560)
Interest and investment income	1,093	14,991	10,912	-	26,996	20,486
Miscellaneous revenue	-	-	29,675	-	29,675	26,701
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,093</b>	<b>14,991</b>	<b>40,587</b>	<b>-</b>	<b>56,671</b>	<b>9,627</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(18,049)</b>	<b>938,216</b>	<b>(57,224)</b>	<b>-</b>	<b>862,943</b>	<b>272,551</b>
Transfers in	-	-	606,000	(878,709)	-	-
Transfers out	-	(729,482)	(272,709)	878,709	(123,482)	(132,021)
Dissolution of Municipal Authority	(141,112)	141,112	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>(159,161)</b>	<b>622,555</b>	<b>276,067</b>	<b>-</b>	<b>739,461</b>	<b>140,530</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>159,161</b>	<b>3,923,484</b>	<b>1,201,022</b>	<b>-</b>	<b>5,283,667</b>	<b>5,143,137</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 4,546,039</b>	<b>\$ 1,477,089</b>	<b>\$ -</b>	<b>\$ 6,023,128</b>	<b>\$ 5,283,667</b>

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, 2016**  
(With Summarized Comparative Data for the Year Ended December 31, 2015)

	Enterprise Funds		Sewer Reserve Fund	Total	Eliminations	2016	2015
	Municipal Authority Fund	Sewer Enterprise Fund	Sewer Reserve Fund				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from users	-	3,028,210	-	3,028,210	-	\$ 3,028,210	\$ 2,637,700
Payments to and on behalf of employees	-	(409,946)	-	(409,946)	-	(409,946)	(558,282)
Payments to vendors and others	(27,109)	(1,314,220)	12,149	(1,329,180)	-	(1,329,180)	(1,548,616)
Return of escrow deposits (net)	-	-	-	-	-	-	(64,958)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(27,109)</u>	<u>1,304,044</u>	<u>12,149</u>	<u>1,289,084</u>	<u>-</u>	<u>\$ 1,289,084</u>	<u>485,844</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Operating transfers to other funds	-	(729,482)	-	(729,482)	606,000	(123,482)	(494,313)
Operating transfers from other funds	-	-	606,000	606,000	(606,000)	-	243,946
Collections on behalf of the Municipal Authority	-	4,651	-	4,651	-	4,651	-
Transfer from dissolution of Municipal Authority	(75,154)	75,154	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(75,154)</u>	<u>(649,877)</u>	<u>606,000</u>	<u>(118,831)</u>	<u>-</u>	<u>(118,831)</u>	<u>(250,367)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Purchase of equipment	-	-	(272,709)	(272,709)	-	(272,709)	(280,002)
Principal payments	-	-	-	-	-	-	(825,000)
Interest payments	-	-	-	-	-	-	(50,514)
Lease rental revenue	-	-	-	-	-	-	125,000
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>(272,709)</u>	<u>(272,709)</u>	<u>-</u>	<u>(272,709)</u>	<u>(750,514)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Other receipts	-	-	29,675	29,675	-	29,675	26,701
Proceeds from sale of investments	6,659	-	-	6,659	-	6,659	531,122
Investment income	1,093	15,239	10,681	27,013	-	27,013	21,400
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>7,752</u>	<u>15,239</u>	<u>40,356</u>	<u>63,347</u>	<u>-</u>	<u>63,347</u>	<u>579,223</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(94,511)</u>	<u>669,806</u>	<u>385,796</u>	<u>960,891</u>	<u>-</u>	<u>960,891</u>	<u>(235,816)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>94,511</u>	<u>1,305,744</u>	<u>1,228,503</u>	<u>2,628,758</u>	<u>-</u>	<u>2,628,758</u>	<u>2,884,574</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,975,350</u>	<u>\$ 1,614,299</u>	<u>\$ 3,589,649</u>	<u>\$ -</u>	<u>\$ 3,589,649</u>	<u>\$ 2,628,758</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:</b>							
Operating (loss) income	\$ (19,142)	\$ 923,225	\$ (97,811)	\$ 806,272	\$ -	\$ 806,272	\$ 282,924
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:							
Depreciation expense	-	247,480	-	247,480	-	247,480	221,928
(Increase) Decrease in assets:							
Sewer fees receivable	-	18,592	-	18,592	-	18,592	(8,163)
Assessments receivable	3,565	20,834	-	24,399	-	24,399	38,225
Due from other funds	(4,651)	(2)	-	(4,653)	-	(4,653)	(47)
Prepaid expenses	-	1,385	-	1,385	-	1,385	(1,860)
Increase (Decrease) in liabilities:							
Accounts payable	(6,881)	43,573	134,072	170,764	-	170,764	(19,561)
Due to other funds	-	(82,397)	(24,112)	(106,509)	-	(106,509)	37,356
Escrow deposits	-	131,354	-	131,354	-	131,354	(64,958)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (27,109)</u>	<u>\$ 1,304,044</u>	<u>\$ 12,149</u>	<u>\$ 1,289,084</u>	<u>\$ -</u>	<u>\$ 1,289,084</u>	<u>\$ 485,844</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>							
Cash and cash equivalents	\$ -	\$ 1,826,059	\$ 1,614,299	\$ 3,440,358	\$ -	\$ 3,440,358	\$ 2,610,821
Cash - restricted	-	149,291	-	149,291	-	149,291	17,937
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ 1,975,350</u>	<u>\$ 1,614,299</u>	<u>\$ 3,589,649</u>	<u>\$ -</u>	<u>\$ 3,589,649</u>	<u>\$ 2,628,758</u>
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>							
Transfer of assets and liabilities to the Township	\$ (65,958)	\$ 65,958	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets purchased by Sewer Reserve Fund and transferred to Sewer Enterprise Fund	-	\$ 272,709	\$ (272,709)	\$ -	\$ -	\$ -	\$ -

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

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**  
**(With Summarized Comparative Data for December 31, 2015)**

	Agency Fund	Trust Funds	Totals	
			2016	2015
<b>ASSETS</b>				
Cash	\$ 1,432,905	\$ 275,986	\$ 1,708,891	\$ 636,400
Investments	-	14,602,131	14,602,131	13,151,130
<b>TOTAL ASSETS</b>	<b>\$ 1,432,905</b>	<b>\$14,878,117</b>	<b>\$16,311,022</b>	<b>\$13,787,530</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 412	\$ 412	\$ 533
Due to others	1,432,905	-	1,432,905	353,641
<b>TOTAL LIABILITIES</b>	<b>1,432,905</b>	<b>412</b>	<b>1,433,317</b>	<b>354,174</b>
<b>NET POSITION</b>				
Held in trust for pension benefits	-	14,618,214	14,618,214	13,204,027
Held in trust for other post-employment benefits	-	259,491	259,491	229,329
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>14,877,705</b>	<b>14,877,705</b>	<b>13,433,356</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,432,905</b>	<b>\$14,878,117</b>	<b>\$16,311,022</b>	<b>\$13,787,530</b>

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

**LOWER GWYNEDD TOWNSHIP**  
**STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Trust Funds	
	2016	2015
ADDITIONS		
Contributions:		
State aid	\$ 249,355	\$ 215,646
Employer contribution	747,924	881,505
Employee contribution	99,622	92,219
Total Contributions	1,096,901	1,189,370
Investment Income:		
Net realized/unrealized gain (loss) on investments	732,265	(283,655)
Interest and dividends	310,550	291,258
Net Investment Income	1,042,815	7,603
TOTAL ADDITIONS	2,139,716	1,196,973
DEDUCTIONS		
Employee benefit payments	695,367	803,013
TOTAL DEDUCTIONS	695,367	803,013
CHANGE IN FIDUCIARY NET POSITION	1,444,349	393,960
NET POSITION, BEGINNING OF YEAR	13,433,356	13,039,396
NET POSITION, END OF YEAR	\$ 14,877,705	\$ 13,433,356

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 accordance with government accounting standards, the Township has determined that the Lower Gwynedd Township Municipal Authority (“the Municipal Authority”) is part of the Township's reporting entity and is included in the Township's financial statements as part of the Enterprise Funds. The criteria for determining the reporting entity includes oversight responsibility, which embraces such factors as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Complete financial statements of the Municipal Authority can be obtained directly from its administrative office. During the year ended December 31, 2016, the Municipal Authority dissolved and transferred all assets, liabilities, and net position to the Township's proprietary funds. Activity of the Municipal Authority before the dissolution is shown as a blended presentation in the proprietary funds.

Basis of Presentation and Accounting

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

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



LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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 or construction of major capital assets (other than those financed by the Industrial Compact Fund, Capital Reserve Fund, and Proprietary Funds).

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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

The Township reports the following major proprietary funds:

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

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

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

Additionally, the Township reports the following fund types:

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

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources and the payment of interest and principal on all general obligation debt other than 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, Non-Uniformed Employees' Pension Funds, and Other Postemployment Benefits.

**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.

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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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:

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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

***Cash and Cash Equivalents***

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

***Taxes Receivable***

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

***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 available 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.

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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

***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, 2016, 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

**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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

***Use of Estimates***

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

***Real Estate Property Tax***

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 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.

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township currently has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying amount value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt. The second is the deferred equipment purchase reported on the funds as well as the government-wide statement of net position. This amount represents the acquisition of a capital asset for which the Township has begun

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

making payments but has not received the asset. The deferred outflow is the full amount of the future asset. In addition, certain changes made to the net pension liability, including differences between actual and expected experience of pension activities and differences between projected and actual investment returns, are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the statement of net position, deferred inflows of resources include differences between actual and expected experience of pension activities. In the funds, a deferred inflow is recorded relating to the deferred recognition of proceeds from a promissory note for the purchase of a capital asset. The Township has begun making payments on the note in 2016. The full amount will be recognized as revenue upon delivery of the associated asset.

***Net Position Flow Assumption***

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

***Fund Equity***

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

- ***Nonspendable Fund Balance*** – Amounts that are not in spendable form (such as inventory or 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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

- **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.
- **Unassigned Fund Balance** – Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

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

***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. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

***Implementation of GASB Statement***

During the year ended December 31, 2016, the Township implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the Township's financial statement footnotes.



LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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, 2016, \$7,336,778 was insured by the Federal Depository Insurance Corporation. The remaining \$7,314,658 of the Township's bank balance of \$14,651,436 was exposed to custodial credit risk as follows:

Governmental funds	\$ 4,367,980
Proprietary funds	1,605,455
Fiduciary funds	<u>1,341,223</u>
	<u>\$ 7,314,658</u>

***Investments***

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

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

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

The fair value of assets measured on a recurring basis at December 31, 2016 are as follows:

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Equity mutual funds	\$ 10,985,734	\$ 10,985,734
Fixed income mutual funds	3,339,300	3,339,300
Joint venture mutual funds	<u>277,097</u>	<u>277,097</u>
Total Investments	<u>\$ 14,602,131</u>	<u>\$ 14,602,131</u>

At December 31, 2016, 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 per GASB Statement No. 40.

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
<u>Governmental Activities</u>				
General capital assets not being depreciated:				
Land	\$ 10,876,562	\$ 103,675	\$ -	\$ 10,980,237
Infrastructure	13,154,136	133,539	-	13,287,675
Construction-in-progress	<u>184,501</u>	<u>-</u>	<u>(157,407)</u>	<u>27,094</u>
Total general capital assets not being depreciated	<u>24,215,199</u>	<u>237,214</u>	<u>(157,407)</u>	<u>24,295,006</u>
General capital assets being depreciated:				
Infrastructure	7,038,418	380,764	-	7,419,182
Buildings and building improvements	9,628,470	37,970	-	9,666,440
Furniture and equipment	<u>2,414,540</u>	<u>152,383</u>	<u>(64,990)</u>	<u>2,501,933</u>
Total general capital assets being depreciated	<u>19,081,428</u>	<u>571,117</u>	<u>(64,990)</u>	<u>19,587,555</u>
Accumulated depreciation:				
Infrastructure	(3,494,385)	(212,839)	-	(3,707,224)
Buildings and building improvements	(5,178,170)	(316,405)	-	(5,494,575)
Furniture and equipment	<u>(1,426,596)</u>	<u>(202,734)</u>	<u>62,891</u>	<u>(1,566,439)</u>
Total accumulated depreciation	<u>(10,099,151)</u>	<u>(731,978)</u>	<u>62,891</u>	<u>(10,768,238)</u>
Total general capital assets being depreciated, net	<u>8,982,277</u>	<u>(160,861)</u>	<u>(2,099)</u>	<u>8,819,317</u>
Governmental Activities, Net	<u>\$ 33,197,476</u>	<u>\$ 76,353</u>	<u>\$ (159,506)</u>	<u>\$ 33,114,323</u>

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
<u>Business-type Activities</u>				
Sewer system and equipment	\$ 20,344,448	\$ 272,709	\$ (83,512)	\$ 20,533,645
Accumulated depreciation	<u>(17,667,422)</u>	<u>(247,480)</u>	<u>(83,512)</u>	<u>(17,831,390)</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,677,026</u>	<u>\$ 25,229</u>	<u>\$ -</u>	<u>\$ 2,702,255</u>

Depreciation expense was charged to the following activities:

Governmental Activities:

Unallocated depreciation \$ 731,978

Business-type Activities:

Sewer \$ 247,480

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 interest at 2.0 percent per annum and matures on February 15, 2019.

***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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 DEBT (cont'd)

The following is a summary of transactions affecting long-term obligations for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	\$ 2,075,000	\$ 116,142	\$ 613,228	\$ 1,577,914	\$ 623,228
Bond premium	21,153	-	5,903	15,250	5,903
<b>TOTAL</b>	<b><u>\$ 2,096,153</u></b>	<b><u>\$ 116,142</u></b>	<b><u>\$ 619,131</u></b>	<b><u>\$ 1,593,164</u></b>	<b><u>\$ 629,131</u></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>
2017	\$ 623,228	\$ 24,240	\$ 647,468
2018	638,228	12,090	650,318
2019	293,229	2,970	296,199
2020	23,229	-	23,229
Total	<b><u>\$ 1,577,914</u></b>	<b><u>\$ 39,300</u></b>	<b><u>\$ 1,617,214</u></b>

For the year ended December 31, 2016, interest expense was \$30,079.

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 2019. For the year ended December 31, 2016, lease payments received by the Township were \$120,307.

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

<u>Year Ending December 31,</u>	
2017	\$ 123,613
2018	127,322
2019	42,857
Total	<b><u>\$ 293,792</u></b>

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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	\$ 2,865	\$ 49
Open Space Fund	-	687
Capital Reserve Fund	-	1,467
Nonmajor Governmental Funds	-	234
Proprietary Funds:		
Sewer Enterprise Fund	<u>49</u>	<u>477</u>
	<u>\$ 2,914</u>	<u>\$ 2,914</u>

Interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 635,178	\$1,564,401
Capital Reserve Fund	408,760	-
Nonmajor Governmental Funds	1,218,255	574,310
Proprietary Funds:		
Sewer Enterprise Fund	272,709	729,482
Sewer Reserve Fund	<u>606,000</u>	<u>272,709</u>
	<u>\$3,140,902</u>	<u>\$3,140,902</u>

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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 7     RISK MANAGEMENT (cont'd)

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.

***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 11 members – four Township residents appointed by the Township, two members of the Board of Supervisors, the Township Manager, the Assistant Township Manager, the Finance

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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, 2016, 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.

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

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

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 \$764,786 for 2016. Contributions of \$607,299 and \$157,487 were made by the Township and the Commonwealth, respectively.

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, 2016:



LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

	Target Allocation
Domestic equity	49%
International equity	26%
Fixed income	23%
Cash	2%
	100%

**Rate of Return** – For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.55 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, 2016, are summarized in the following table:

	Long-term Expected Rate of Return
Domestic equity	5.2%
International equity	5.2%
Fixed income	3.7%
Cash	0.8%

**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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

***Net Pension Liability of the Township***

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 13,353,826
Fiduciary net position	<u>(10,249,000)</u>
Net pension liability	<u>\$ 3,104,826</u>
Plan fiduciary net position as a percentage of the total pension liability	76.75%

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	<u>\$ 12,589,019</u>	<u>\$ 9,178,961</u>	<u>\$ 3,410,058</u>
Changes for the year:			
Service cost	350,814	-	350,814
Interest	924,928	-	924,928
Contributions - employer	-	764,786	(764,786)
Contributions - employee	-	99,622	(99,622)
Net investment income	-	716,596	(716,596)
Benefit payments	<u>(510,965)</u>	<u>(510,965)</u>	<u>-</u>
Net Changes	<u>764,807</u>	<u>1,070,039</u>	<u>(305,232)</u>
Balance at December 31, 2016	<u>\$ 13,353,826</u>	<u>\$ 10,249,000</u>	<u>\$ 3,104,826</u>

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 to Changes in the Discount Rate*** – The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension 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	\$ 4,784,588	\$ 3,104,826	\$ 1,707,858

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

**Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** – For the year ended December 31, 2016, the Township recognized pension expense of \$592,981. As of year end, the Township reported deferred outflows and inflows related to the plan as follows:

	Deferred Outflows	Deferred Inflows
Differences between actual and expected experience	\$ -	\$ 6,981
Difference between actual and projected investment returns	407,618	-
Total Deferred Outflows and Inflows	\$ 407,618	\$ 6,981

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

Year Ended December 31,			
	2017	\$	132,163
	2018		132,770
	2019		135,956
	2020		(252)
		\$	400,637

**Actuarial Assumptions** – The total pension liability as of December 31, 2016 was projected from the actuarial valuation as of January 1, 2015, using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	8 years
Asset valuation method	Adjusted market value
<b>Actuarial assumptions:</b>	
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

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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, 2016, 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.

***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 11 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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

**Plan Membership** – At December 31, 2016, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not receiving benefits	9
Active plan members	<u>15</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.

**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 2016.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

The MMO obligation for the plan was \$207,493 for 2016. Contributions of \$115,625 and \$91,868 were made by the Township and the Commonwealth, respectively.

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, 2016:

	<u>Target Allocation</u>
Domestic equity	49%
International equity	26%
Fixed income	23%
Cash	2%
	<hr/>
	100%
	<hr/> <hr/>

***Rate of Return*** – For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.54 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, 2016 (see the plan's investment policy), are summarized in the following table:

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

	<u>Long-term Expected Rate of Return</u>
Domestic equity	5.2%
International equity	5.2%
Fixed income	3.7%
Cash	0.8%

**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 Liability of the Township***

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 4,710,862
Fiduciary net position	(4,369,214)
Net pension liability	<u>\$ 341,648</u>
Plan fiduciary net position as a percentage of the total pension liability	92.75%

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	\$ 4,412,370	\$ 4,025,066	\$ 387,304
Changes for the year:			
Service cost	145,646	-	145,646
Interest	324,467	-	324,467
Contributions - employer	-	207,493	(207,493)
Net investment income	-	308,276	(308,276)
Benefit payments	(171,621)	(171,621)	-
Net Changes	<u>298,492</u>	<u>344,148</u>	<u>(45,656)</u>
Balance at December 31, 2016	<u>\$ 4,710,862</u>	<u>\$ 4,369,214</u>	<u>\$ 341,648</u>

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension 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	\$ 932,129	\$ 341,648	\$ (160,175)

**Pension Expense, and Deferred Outflows of Resources Related to Pensions** – For the year ended December 31, 2016, the Township recognized pension expense of \$233,307. As of year end, the Township reported deferred outflows related to the plan as follows:

	Deferred Outflows
Differences between actual and expected experience	\$ 43,734
Difference between actual and projected investment returns	175,545
Total Deferred Outflows	\$ 219,279

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

Year Ended December 31,		Deferred Outflows
2017	\$	70,115
2018		70,115
2019		70,113
2020		8,936
	\$	219,279

**Actuarial Assumptions** - The total pension liability as of December 31, 2016 was projected from the actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:



LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Methods and Significant Assumptions

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Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	7 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

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

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

***Plan Description***

The Township provides medical and prescription drug insurance benefits to eligible retired employees, spouses, and dependents through a single employer defined benefit plan. The benefits, benefits level, employee contribution, and employer contribution are administered by the Township Supervisors and can be amended by a motion of the Board of Supervisors. The plan is accounted for as a trust fund, as an irrevocable trust was established on August 4, 2014. The plan does not issue a stand-alone financial report.

***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.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont'd)

***Annual OPEB Cost and Net OPEB Obligation***

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

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

Annual required contribution	\$	162,584
Interest on OPEB obligation		23,762
Adjustment to annual required contribution		<u>(53,430)</u>
Annual OPEB cost (expense)		132,916
Contributions made		<u>(25,000)</u>
Increase in net OPEB obligation		107,916
Net OPEB obligation, beginning of year		<u>594,062</u>
Net OPEB obligation, end of year	\$	<u><u>701,978</u></u>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 132,916	19%	\$ 701,978
2015	\$ 144,116	45%	\$ 594,062
2014	\$ 143,462	115%	\$ 514,283

***Funded Status and Funding Progress***

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,319,059 and the actuarial value of assets was \$229,862, the unfunded portion was \$1,089,197 for a funded ratio of 17.4 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$2,008,538, and the ratio of the UAAL to the covered payroll was 54.2 percent.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont'd)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 62, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Methods and Assumptions***

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

In the January 1, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements of 0.5 percent to an ultimate rate of 5.0 percent after seven years. The unfunded AAL is being amortized over a 15-year period.

NOTE 11 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2016:

Public safety	\$	124,036
Workmen's compensation	\$	3,169
Debt service	\$	20,251

The excess expenditures were funded by savings in other budgeted expenditure line items and greater than anticipated revenues.

LOWER GWYNEDD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through June 20, 2017, 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, 2016 and for the two preceding periods:

Year	Average Condition
2014	6.205
2015	6.256
2016	6.265

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

Year	Budget	Actual
2012	\$ 651,005	\$ 659,353
2013	641,258	440,905
2014	781,660	642,165
2015	858,500	825,164
2016	781,890	755,616

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

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 350,814	\$ 331,689	\$ 314,398
Interest on total pension liability	924,958	874,124	826,356
Differences between expected and actual experience	-	(14,569)	-
Benefit payments, excluding DROP benefits	<u>(510,965)</u>	<u>(514,424)</u>	<u>(493,278)</u>
Net change in total pension liability	<u>764,807</u>	<u>676,820</u>	<u>647,476</u>
Total pension liability, beginning	<u>12,589,019</u>	<u>11,912,199</u>	<u>11,264,723</u>
Total pension liability, ending (a)	<u><u>\$ 13,353,826</u></u>	<u><u>\$ 12,589,019</u></u>	<u><u>\$ 11,912,199</u></u>
<b>FIDUCIARY NET POSITION</b>			
Employer contributions	\$ 764,786	\$ 761,497	\$ 786,937
Member contributions	99,622	92,219	83,418
Investment income of pension investments, net of investment expenses	716,596	4,056	462,698
Benefit payments, excluding DROP benefits	<u>(510,965)</u>	<u>(514,424)</u>	<u>(705,817)</u>
Net change in fiduciary net position	<u>1,070,039</u>	<u>343,348</u>	<u>627,236</u>
Fiduciary net position, beginning	<u>9,178,961</u>	<u>8,835,613</u>	<u>8,208,377</u>
Fiduciary net position, ending (b)	<u><u>\$ 10,249,000</u></u>	<u><u>\$ 9,178,961</u></u>	<u><u>\$ 8,835,613</u></u>
Net pension liability [(a) - (b)]	<u><u>\$ 3,104,826</u></u>	<u><u>\$ 3,410,058</u></u>	<u><u>\$ 3,076,586</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.75%	72.91%	74.17%
Covered payroll	\$ 2,008,538	\$ 1,844,364	\$ 1,668,327
Net pension liability as a percentage of covered payroll	154.58%	184.89%	184.41%
Annual money-weighted return, net of investment expenses	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  
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,  
RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 145,646	\$ 145,184	\$ 138,271
Interest on total pension liability	324,467	296,908	273,329
Differences between expected and actual experience	-	66,752	-
Benefit payments	<u>(171,621)</u>	<u>(110,499)</u>	<u>(83,931)</u>
Net change in total pension liability	298,492	398,345	327,669
Total pension liability, beginning	4,412,370	4,014,025	3,686,356
Total pension liability, ending (a)	<u>\$ 4,710,862</u>	<u>\$ 4,412,370</u>	<u>\$ 4,014,025</u>
<b>FIDUCIARY NET POSITION</b>			
Employer contributions	\$ 207,493	\$ 260,654	\$ 307,060
Investment income net of investment expenses	308,276	3,298	198,111
Benefit payments, excluding DROP benefits	<u>(171,621)</u>	<u>(110,499)</u>	<u>(83,931)</u>
Net change in fiduciary net position	<u>344,148</u>	<u>153,453</u>	<u>421,240</u>
Fiduciary net position, beginning	4,025,066	3,871,613	3,450,373
Fiduciary net position, ending (b)	<u>\$ 4,369,214</u>	<u>\$ 4,025,066</u>	<u>\$ 3,871,613</u>
Net pension liability [(a) - (b)]	<u>\$ 341,648</u>	<u>\$ 387,304</u>	<u>\$ 142,412</u>
Plan fiduciary net position as a percentage of the total pension liability	92.75%	91.22%	96.45%
Covered payroll	\$ 1,004,002	\$ 1,395,263	\$ 1,389,910
Net pension liability as a percentage of covered payroll	34.03%	27.76%	10.25%
Annual money-weighted return, net of investment expenses	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  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 764,786	\$ 711,497	\$ 563,368
Contributions in relation to the actuarially determined contribution	<u>764,786</u>	<u>761,497</u>	<u>786,937</u>
Contribution excess	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (223,569)</u>
Covered employee payroll	\$ 2,008,538	\$ 1,844,364	\$ 1,668,327
Contribution as a percentage of covered employee payroll	38.08%	41.29%	47.17%

**Actuarial Methods and Significant Assumptions**

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	8 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  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 207,493	\$ 210,654	\$ 186,797
Contributions in relation to the actuarially determined contribution	<u>207,493</u>	<u>260,654</u>	<u>307,060</u>
Contribution excess	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (120,263)</u>
Covered employee payroll	\$ 1,004,002	\$ 1,395,263	\$ 1,389,910
Contribution as a percentage of covered employee payroll	20.67%	18.68%	22.09%

**Actuarial Methods and Significant Assumptions**

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	7 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

LOWER GWYNEDD TOWNSHIP  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – POST-EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
01/01/2011	\$ -	\$ 847,411	\$ 847,411	0.0%	\$ 1,498,305	56.6%
01/01/2012	\$ -	\$ 905,360	\$ 905,360	0.0%	\$ 1,469,776	61.6%
01/01/2014	\$ -	\$ 1,119,445	\$ 1,119,445	0.0%	\$ 1,484,220	75.4%
01/01/2016	\$ 229,862	\$ 1,319,059	\$ 1,089,197	17.4%	\$ 2,008,538	54.2%

**SUPPLEMENTARY INFORMATION**

**LOWER GWYNEDD TOWNSHIP  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Fire Hydrant Fund	Recreation Fund	Traffic Impact Fund	Debt Service Fund	Industrial Compact Fund	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>									
Cash and cash equivalents	\$ 234,402	\$ 27,400	\$ 456	\$ 68,067	\$ 51,384	\$ 865,279	\$ 2,989	\$ 5,248	\$ 1,255,225
Accounts receivable	-	-	-	-	314	-	-	-	314
Taxes receivable, net	-	291	1,714	352	646	-	4,695	-	7,698
Interest receivable	-	-	-	15	-	483	-	-	498
<b>TOTAL ASSETS</b>	<u>234,402</u>	<u>27,691</u>	<u>2,170</u>	<u>68,434</u>	<u>52,344</u>	<u>865,762</u>	<u>7,684</u>	<u>5,248</u>	<u>1,263,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred equipment purchase	-	-	14,887	-	-	-	-	-	14,887
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>			<u>14,887</u>						<u>14,887</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 234,402</u>	<u>\$ 27,691</u>	<u>\$ 17,057</u>	<u>\$ 68,434</u>	<u>\$ 52,344</u>	<u>\$ 865,762</u>	<u>\$ 7,684</u>	<u>\$ 5,248</u>	<u>\$ 1,278,622</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>									
<b>LIABILITIES:</b>									
Accounts payable	-	\$ 669	-	-	\$ 16,047	\$ 6,583	-	-	\$ 23,299
Unearned revenue	-	-	-	-	1,040	-	-	-	1,040
Due to other funds	-	-	-	-	234	-	-	-	234
<b>TOTAL LIABILITIES</b>		<u>669</u>			<u>17,321</u>	<u>6,583</u>			<u>24,573</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred note proceeds	-	-	11,910	-	-	-	-	-	11,910
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			<u>11,910</u>						<u>11,910</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		<u>\$ 669</u>	<u>11,910</u>		<u>17,321</u>	<u>6,583</u>			<u>36,483</u>
<b>FUND BALANCES:</b>									
Restricted									
Streets and highways	234,402	-	-	-	-	-	-	-	234,402
Street lighting	-	27,022	-	-	-	-	-	-	27,022
Fire protection	-	-	5,147	-	-	-	-	-	5,147
Fire hydrant	-	-	-	68,434	-	-	-	-	68,434
Recreation	-	-	-	-	35,023	-	-	-	35,023
Traffic impact fees	-	-	-	-	-	859,179	-	-	859,179
Debt service	-	-	-	-	-	-	7,684	-	7,684
Industrial compact	-	-	-	-	-	-	-	5,248	5,248
<b>TOTAL FUND BALANCES</b>	<u>234,402</u>	<u>27,022</u>	<u>5,147</u>	<u>68,434</u>	<u>35,023</u>	<u>859,179</u>	<u>7,684</u>	<u>5,248</u>	<u>1,242,139</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 234,402</u>	<u>\$ 27,691</u>	<u>\$ 17,057</u>	<u>\$ 68,434</u>	<u>\$ 52,344</u>	<u>\$ 865,762</u>	<u>\$ 7,684</u>	<u>\$ 5,248</u>	<u>\$ 1,278,622</u>

**LOWER GWYNEDD TOWNSHIP  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Highway Aid Fund	Street Lighting Fund	Fire Protection Fund	Fire Hydrant Fund	Recreation Fund	Traffic Impact Fund	Debt Service Fund	Industrial Compact Fund	Total
<b>REVENUES</b>									
Taxes	\$ -	\$ 16,654	\$ 195,952	\$ 40,136	\$ 73,819	\$ -	\$ 536,856	\$ -	\$ 863,417
Interest and rents	1,512	133	175	302	52	8,081	140	15	10,410
Intergovernmental revenues	344,123	-	-	-	-	-	-	-	344,123
Charges for services	3,360	-	-	-	83,762	45,700	-	-	132,822
Contributions	-	-	-	-	21,217	-	-	-	21,217
<b>TOTAL REVENUES</b>	<u>348,995</u>	<u>16,787</u>	<u>196,127</u>	<u>40,438</u>	<u>178,850</u>	<u>53,781</u>	<u>536,996</u>	<u>15</u>	<u>1,371,989</u>
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	449	-	-	449
Public safety	-	-	-	-	-	-	-	-	-
Public works - highways and streets	252,896	12,594	-	40,470	-	32,229	-	-	338,189
Culture and recreation	-	-	-	-	610,829	-	-	-	610,829
Insurance	-	-	1,852	-	3,920	-	-	-	5,772
Workmen's compensation	-	-	25,694	-	9,432	-	-	-	35,126
Payments to fire companies	-	-	245,533	-	-	-	-	-	245,533
Debt service	-	-	2,977	-	-	-	628,640	-	631,617
<b>TOTAL EXPENDITURES</b>	<u>252,896</u>	<u>12,594</u>	<u>276,056</u>	<u>40,470</u>	<u>624,181</u>	<u>32,678</u>	<u>628,640</u>	<u>-</u>	<u>1,867,515</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>96,099</u>	<u>4,193</u>	<u>(79,929)</u>	<u>(32)</u>	<u>(445,331)</u>	<u>21,103</u>	<u>(91,644)</u>	<u>15</u>	<u>(495,526)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Refunds of prior year expenditures	2,087	-	-	-	-	-	-	-	2,087
Transfers in	-	-	80,000	-	471,761	-	666,494	-	1,218,255
Transfers out	-	-	-	-	(574,310)	-	(574,310)	-	(574,310)
Proceeds from sale of asset	610	-	-	-	-	-	-	-	610
Proceeds from promissory note	-	-	2,977	-	-	-	-	-	2,977
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,697</u>	<u>-</u>	<u>82,977</u>	<u>-</u>	<u>471,761</u>	<u>-</u>	<u>92,184</u>	<u>-</u>	<u>649,619</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>98,796</u>	<u>4,193</u>	<u>3,048</u>	<u>(32)</u>	<u>26,430</u>	<u>21,103</u>	<u>540</u>	<u>15</u>	<u>154,093</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>135,606</u>	<u>22,829</u>	<u>2,099</u>	<u>68,466</u>	<u>8,593</u>	<u>838,076</u>	<u>7,144</u>	<u>5,233</u>	<u>1,088,046</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 234,402</u>	<u>\$ 27,022</u>	<u>\$ 5,147</u>	<u>\$ 68,434</u>	<u>\$ 35,023</u>	<u>\$ 859,179</u>	<u>\$ 7,684</u>	<u>\$ 5,248</u>	<u>\$ 1,242,139</u>

**LOWER GWYNEDD TOWNSHIP**  
**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	Non-Uniformed Pension Fund	Police Pension Fund	Other Post- Employment Benefits	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,686	\$ 191,926	\$ 3,374	\$ 275,986
Investments	4,288,528	10,057,074	256,529	14,602,131
<b>TOTAL ASSETS</b>	<b>\$ 4,369,214</b>	<b>\$10,249,000</b>	<b>\$ 259,903</b>	<b>\$14,878,117</b>
 <b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 412	\$ 412
<b>TOTAL LIABILITIES</b>	-	-	412	412
 <b>NET POSITION</b>				
Restricted for pension benefits	4,369,214	10,249,000	-	14,618,214
Restricted for other post-employment benefits	-	-	259,491	259,491
<b>TOTAL NET POSITION</b>	<b>4,369,214</b>	<b>10,249,000</b>	<b>259,491</b>	<b>14,877,705</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,369,214</b>	<b>\$10,249,000</b>	<b>\$ 259,903</b>	<b>\$14,878,117</b>

**LOWER GWYNEDD TOWNSHIP**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Non-Uniformed Pension Fund</u>	<u>Police Pension Fund</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
<b>ADDITIONS</b>				
Contributions:				
State aid	\$ 91,868	\$ 157,487	\$ -	\$ 249,355
Employer contribution	115,625	607,299	25,000	747,924
Employee contribution	-	99,622	-	99,622
Total Contributions	<u>207,493</u>	<u>864,408</u>	<u>25,000</u>	<u>1,096,901</u>
Investment Income:				
Net realized/unrealized gain on investments	216,901	502,971	12,393	732,265
Interest and dividends	91,375	213,625	5,550	310,550
Net Investment Income	<u>308,276</u>	<u>716,596</u>	<u>17,943</u>	<u>1,042,815</u>
<b>TOTAL ADDITIONS</b>	<u>515,769</u>	<u>1,581,004</u>	<u>42,943</u>	<u>2,139,716</u>
<b>DEDUCTIONS</b>				
Benefits paid	<u>171,621</u>	<u>510,965</u>	<u>12,781</u>	<u>695,367</u>
<b>TOTAL DEDUCTIONS</b>	<u>171,621</u>	<u>510,965</u>	<u>12,781</u>	<u>695,367</u>
<b>CHANGE IN NET POSITION</b>	344,148	1,070,039	30,162	1,444,349
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,025,066</u>	<u>9,178,961</u>	<u>229,329</u>	<u>13,433,356</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,369,214</u>	<u>\$ 10,249,000</u>	<u>\$ 259,491</u>	<u>\$ 14,877,705</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

June 20, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 20, 2017. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the blended component unit.

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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Supervisors  
Lower Gwynedd Township

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