

TOWNSHIP OF LOWER GWYNEDD

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2014



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Gwynedd as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township of Lower Gwynedd's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Gwynedd as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Emphasis of Matter

For the year ended December 31, 2014, the Township of Lower Gwynedd adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*. 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 management's discussion and analysis on pages 5 through 17, budgetary comparison information on page 54, trend data on infrastructure condition on page 55, pension plan information on pages 56 through 61 and postemployment benefits other than pension funding progress on page 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2015, on our consideration of the Township of Lower Gwynedd's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lower Gwynedd's internal control over financial reporting and compliance.



Oaks, Pennsylvania
May 7, 2015

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Our discussion and analysis of Lower Gwynedd Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the Township's financial statements, which begin with the Statement of Net Position.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities by \$44,398,278 (net position). Of this amount, \$11,687,327 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$752,685.
- As of December 31, 2014, the fund balance for the General Fund was \$2,313,138.
- Outstanding debt at year ending 2014 was \$3,475,000.
- The Township's debt rating remained at Aaa by Moody's Investors Service.
- The Township's Total Real Estate Taxes in mills is 1.223.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2014

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

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

Other Supplementary Information consists of the following:

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

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Position and Statement of Activities

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

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

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

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

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

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$44,398,276 at the close of 2014. This is an increase of \$752,685 from the previous year.

Table 1
Condensed Statements of Net Position
December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
ASSETS						
Cash and investments	\$ 9,403,915	\$ 9,133,368	\$ 3,402,355	\$ 2,745,505	\$ 12,806,270	\$ 11,878,873
Other assets	429,568	536,241	97,890	354,430	527,458	890,671
Capital assets	33,216,803	33,442,719	2,618,953	2,856,613	35,835,756	36,299,332
TOTAL ASSETS	43,050,286	43,112,328	6,119,198	5,956,548	49,169,484	49,068,876
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding, net of accumulated amortization of \$7,076	7,075	8,844	-	-	7,075	8,844
LIABILITIES						
Other liabilities	632,778	597,346	129,166	109,314	761,944	706,660
Long-term debt	2,677,056	3,243,960	825,000	945,000	3,502,056	4,188,960
OPEB liability	514,283	536,509	-	-	514,283	536,509
TOTAL LIABILITIES	3,824,117	4,377,815	954,166	1,054,314	4,778,283	5,432,129
NET POSITION						
Net investment in capital assets	30,546,822	30,207,603	1,793,953	1,911,613	32,340,775	32,119,216
Restricted	370,174	477,923	-	-	370,174	477,923
Unrestricted	8,316,248	8,057,831	3,371,079	2,990,621	11,687,327	11,048,452
TOTAL NET POSITION	\$ 39,233,244	\$ 38,743,357	\$ 5,165,032	\$ 4,902,234	\$ 44,398,276	\$ 43,645,591

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

The largest portion of the Township's net position, \$32,340,775 or 72.9% 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 26.0% of Lower Gwynedd Township's total assets.

Long-term debt total is \$3,475,000. The proceeds were used to finance two major projects; the expansion of the municipal complex including the installation of an emergency generator and the construction of Pen-Ambler Park. The expansion of the municipal complex and the construction of Pen-Ambler Park have been completed. Funds from the Bond proceeds, originally budgeted for the Fire/Ambulance Sub-Station, were reallocated for the installation of an emergency generator at the Township Building. Due to unexpected difficulties in acquiring land, the construction of the Fire/Ambulance Sub-Station has been postponed.

Assets in the business-type activities column reflect the Township's investment in its sewer system. Cash and investments represent 55.6% of Lower Gwynedd Township's total business-type assets which will allow for future investment in the sewer system. The Township operates and maintains three pumping stations, five metering stations and 147 miles of sewer lines.

Accumulated depreciation reflects 22.4% of total capital assets for governmental activities and 86.9% of total capital assets for business-type activities. The percentages reflect the Township's commitment to provide services through effective and efficient use of resources.

Governmental Activities

The Township generates governmental revenues from a variety of sources. Total revenue for governmental activities for fiscal 2014 was \$8,873,492.

The Township's governmental activities sustained a net increase of \$489,887 and the business-type activities sustained a net increase of \$262,798. The total increase of net position for the Township was \$752,685.

Table 2 shows the changes in net position for the years ended December 31, 2014 and 2013.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Table 2
Changes in Net Position
Years Ended December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues						
Charges for services	\$ 885,157	\$ 786,323	\$ 2,737,305	\$ 2,915,678	\$ 3,622,462	\$ 3,702,001
Operating grants and contributions	478,699	594,559	-	-	478,699	594,559
General revenues						
Taxes						
Real estate tax	1,665,056	1,660,604	-	-	1,665,056	1,660,604
Real estate transfer tax	385,405	441,549	-	-	385,405	441,549
Earned income tax	4,194,837	4,233,540	-	-	4,194,837	4,233,540
Business privilege tax	224,176	294,974	-	-	224,176	294,974
Mercantile tax	167,172	179,989	-	-	167,172	179,989
Local services tax	331,660	310,705	-	-	331,660	310,705
Cable TV franchise fees	289,958	375,634	-	-	289,958	375,634
Investment income	113,931	90,545	14,332	14,102	128,263	104,647
Gain on sale/disposition of assets	7,841	(510)	17,147	30,713	24,988	30,203
Miscellaneous	46,570	-	-	-	46,570	-
Interfund transfers, net	83,030	96,769	(83,030)	(96,769)	-	-
TOTAL REVENUES	8,873,492	9,064,681	2,685,754	2,863,724	11,559,246	11,928,405
EXPENSES						
General government	1,278,268	1,271,064	-	-	1,278,268	1,271,064
Public safety	3,916,551	3,610,887	-	-	3,916,551	3,610,887
Highways/streets	1,613,646	1,286,662	-	-	1,613,646	1,286,662
Culture and recreation	491,863	493,342	-	-	491,863	493,342
Insurance	63,918	60,305	-	-	63,918	60,305
Workmen's compensation	54,222	58,200	-	-	54,222	58,200
Payments to fire companies	166,903	176,856	-	-	166,903	176,856
Interest on long-term debt	63,670	84,748	-	-	63,670	84,748
Depreciation, unallocated	734,564	717,050	-	-	734,564	717,050
Sewer operations	-	-	2,422,956	3,809,263	2,422,956	3,809,263
TOTAL EXPENSES	8,383,605	7,759,114	2,422,956	3,809,263	10,806,561	11,568,377
CHANGE IN NET POSITION	489,887	1,305,567	262,798	(945,539)	752,685	360,028
NET POSITION AT BEGINNING OF YEAR	38,743,357	37,437,790	4,902,234	5,847,773	43,645,591	43,285,563
NET POSITION AT END OF YEAR	\$ 39,233,244	\$ 38,743,357	\$ 5,165,032	\$ 4,902,234	\$ 44,398,276	\$ 43,645,591

The cost of all governmental activities this year was \$8,383,605. The amount that our taxpayers ultimately financed for these activities through Township taxes was \$7,019,749.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

As indicated by the governmental program expenses, public safety programs account for approximately 46.7% of the total expenditures of the Township's governmental activities. General administration and highways/streets services account for approximately 15.2% and 19.2%, respectively, of the total expenditures for 2014.

Real estate taxes, earned income taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 18.8% and 4.3% of total governmental revenues, respectively. Earned income taxes provide 47.3% of the governmental revenues. Local Service Tax provided 3.7% of the total governmental revenues. Below are the charts showing the prior years of Real Estate Tax, Transfer Tax and Earned Income Tax receipts.

Real Estate Tax

Year	Assessment	Rate of Change	Change in Assessment	Millage	Assessment Change	Increase in Real Estate Tax Billed	Real Estate Tax Billed	Real Estate Tax Collected (Face)
2015	\$ 1,370,703,460	100.59%	\$ 8,072,250	1.223	\$ 9,872.36	\$ 9,871.37	\$ 1,693,474.00	\$ N/A
2014	1,362,631,210	100.29%	3,975,040	1.223	4,861.47	4,883.03	1,683,602.63	N/A
2013	1,358,656,170	100.02%	298,810	1.223	365.44	367.26	1,678,719.60	1,664,183.53
2012	1,358,357,360	99.46%	(7,357,590)	1.223	(8,998.33)	136,634.07	1,678,352.34	1,658,395.69
2011	1,365,714,950	101.12%	15,155,000	1.117	16,928.14	17,215.31	1,541,718.27	1,526,595.00
2010	1,350,559,950	100.19%	2,566,120	1.117	2,866.36	2,866.88	1,524,502.96	1,512,424.95
2009	1,347,993,830	101.45%	19,240,240	1.117	21,491.35	21,491.23	1,521,636.08	1,511,959.09
2008	1,328,753,590	101.38%	18,146,970	1.117	20,270.17	20,256.75	1,500,144.85	1,495,715.00
2007	1,310,606,620	100.97%	12,571,660	1.117	14,042.54	14,730.46	1,479,888.10	1,470,706.15
2006	1,298,034,960	100.83%	10,744,390	1.117	12,001.48	11,849.46	1,465,157.64	1,449,951.00

Transfer Tax

2014	2013	2012	2011	2010	2009	2008	2007
\$ <u>385,405</u>	\$ <u>441,549</u>	\$ <u>341,354</u>	\$ <u>296,300</u>	\$ <u>318,563</u>	\$ <u>335,550</u>	\$ <u>666,429</u>	\$ <u>653,528</u>

Earned Income Tax

2014	2013	2012	2011	2010	2009	2008	2007
\$ <u>4,194,837</u>	\$ <u>4,233,540</u>	\$ <u>3,463,874</u>	\$ <u>2,865,290</u>	\$ <u>3,053,273</u>	\$ <u>2,956,517</u>	\$ <u>3,350,100</u>	\$ <u>3,248,253</u>

Business-Type Activities

The Lower Gwynedd Township sewer system was constructed by the Lower Gwynedd Township Municipal Authority at the request of the Township's Board of Supervisors. The Municipal Authority retains ownership of the system and leases it to the Township, which is responsible for its operation, maintenance and repair. Total revenue from this activity is \$2,685,754, which exceeded expenses by 10.8%. Total expense is \$2,422,956. In July 2010, the Township raised its sewer usage charge for metered water to \$80.00 for 12,000 gallons and \$5.25 per additional 1,000 gallons.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments fall into two categories, transfers or supplemental appropriations, and can only be made after April 1st of the budget year in accordance with the Pennsylvania Second Class Township Code. Transfers are made between budget line items, and supplemental appropriations are a result of additional unanticipated revenues. The following is a brief summary of budget amendments between the original budget and the final amended budget for fiscal 2014:

- \$575,890 increase of Earned Income Tax due to under estimate of remittances.
- \$28,804 increase of Local Service Tax due to strong remittances.
- \$64,958 increase of Cable TV Franchise due to under estimate of fees.
- \$10,397 increase of Dividends due to strong earnings from Delaware Valley Insurance Trust.
- \$22,506 increase of Northern Montgomery Recycling Commission due to resolving and reporting issues from prior year.
- \$37,382 increase of Subdivision/Development Fees due to nine applications.
- \$38,772 increase in Building Permits due to increased building activities.
- \$5,335 increase in Electrical Permits due to increased building activities.
- \$10,343 increase in Plumbing Permits due to increased building activities.
- \$35,334 decrease in Salary Administrative Staff due to attrition.
- \$12,101 increase in Commission - EIT Collection due to general increase in remittances.
- \$22,575 decrease in Storm Water Management Compliance due to delays in regulatory compliance requirements.
- \$12,232 increase in Building Repairs & Maintenance due to harsh winter weather and the delay of the upgrade to the HVAC system.
- \$75,880 increase in Salary of Sergeant & Corporal due to promotion in April 2014.
- \$85,154 decrease in Salary of Patrolman due to promotion in April 2014.
- \$17,845 increase in Professional Services for Police Pension and OPEB Trust due to OPEB administrative expenses to the General Fund.
- \$27,240 increase in Architectural Services due to under estimate of commission on building permits. These costs increase as building activity increases.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

- \$35,343 increase in Other Legal Services due to litigation related to zoning issues.
- \$100,000 increase in Transfer to Open Space Fund due to Fund Balance Policy.
- \$7,620 increase in Transfer to Sinking Fund due to a shortfall of Debt Service Tax revenues to meet obligations.
- \$1,729,000 increase in Transfer to Capital Reserve Fund to comply with Fund Balance Policy.
- \$223,551 increase in Transfer to Police Pension Fund to contribute additional funds.
- \$120,263 increase in Transfer to Non-Uniform Pension Fund to contribute additional funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lower Gwynedd Township's investment in capital assets for its governmental and business-type activities as of December 31, 2014, totals \$33,216,803 and \$2,618,953, respectively (net of accumulated depreciation). The Township's investment in capital assets includes land, buildings and improvement, furniture and equipment, automobiles and trucks, land improvements and infrastructure (see Table 3). Infrastructure includes roads, bridges, storm sewers and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations and equipment.

Table 3
Capital Assets at Year-End (Net of Depreciation)
December 31, 2014

GOVERNMENTAL ACTIVITIES	
Land	\$ 10,853,367
Infrastructure	13,154,136
Construction in progress	46,228
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	24,053,731
Infrastructure	3,767,161
Buildings and building improvements	4,558,439
Furniture, equipment and vehicles	837,472
TOTAL CAPITAL ASSETS BEING DEPRECIATED	9,163,072
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	33,216,803
BUSINESS-TYPE ACTIVITIES	
Sewer system and equipment	2,618,953
TOTAL CAPITAL ASSETS	\$ 35,835,756

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

This year's major additions included:

GOVERNMENTAL ACTIVITIES

904 Penllyn Pike	\$ 258,303
Green Ribbon Trail Project	43,195
Police vehicles	75,142
Police equipment	22,160
Administrative vehicle	27,606
Highway equipment	58,076
Computer system upgrades	7,419

BUSINESS-TYPE ACTIVITIES

Sewer system improvement and equipment	\$ 225,918
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Building and improvements, equipment and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method. However, for road and street infrastructure, the Township elected to use the modified approach. The modified approach allows Lower Gwynedd Township to record the current costs of preserving eligible infrastructure in lieu of depreciation. The streets are maintained at an acceptable level and these maintenance costs are expensed. Only expenditures that increase capacity or efficiency of the infrastructure are capitalized.

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

Debt

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

At year-end for the Governmental Activities, the Township's debt was \$2,650,000 compared to \$3,211,000 the previous year. The debt that is due within one year for Governmental Activities is \$575,000. For the Business-Type Activities, the Township had \$825,000 in outstanding debt at year-end compared to \$945,000 the previous year. The debt that is due within one year for Business-Type Activities is \$125,000.

Table 4		
Outstanding Debt		
December 31, 2014 and 2013		
	<u>2014</u>	<u>2013</u>
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 2,650,000	\$ 3,211,000
BUSINESS-TYPE ACTIVITIES		
Guaranteed Sewer Revenue Bonds	<u>825,000</u>	<u>945,000</u>
	<u>\$ 3,475,000</u>	<u>\$ 4,156,000</u>

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

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

The Township is served by a network of major roads which offers convenient access to the City of Philadelphia. The roads that go through the Township are State Routes 63, 202 and 309. The Township is also served by two SEPTA passenger rail stations within its borders, 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 Gwynedd Mercy College. Janssen, a subsidiary of Johnson & Johnson, and Siemens Energy provide the Township with a strong industrial base. Other noted employers in the Township are Wissahickon School District, Acts Retirement Life Community, Foulkeways at Gwynedd and Country Inn Associates (a.k.a. The William Penn Inn). Merck & Co. has their world headquarters in West Point, Pennsylvania, approximately five (5) miles west of the Township. Merck & Co. owns a 130-acre site on Sumneytown Pike which is mostly undeveloped. Dow Chemical has announced it will be moving its Spring House operations to Colledgeville. This move will occur gradually over the next eighteen months, resulting in a loss of approximately 800 jobs. The 130-acre site adjacent to the 309 interchange will attract significant development interest. Janssen is in the midst of an expansion that, when completed, will bring an additional 1,200 employees to the facility in Lower Gwynedd Township.

The Township's population has grown steadily over the past 25 years. According to the U.S. Census Bureau, the population in 1980 was 6,902. In 2000, the population was counted at 10,422 with 4,360 dwelling units. In 2010, the Township's population was 11,405 with 4,906 dwelling units. The Township continues to attract high-end residential development. According to the Montgomery County Planning Commission, the median sale price for all housing units, new and resale, in Lower Gwynedd for the year 2013 was \$420,000 compared to the median sale price of \$267,000 in Montgomery County. This is consistent with income levels, as nearly 50% of all households in Lower Gwynedd have incomes in excess of \$100,000. According to the U.S. Census, 9,355 people work in Lower Gwynedd Township.

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

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Next Year's Budget

The 2015 Budget and Fiscal Plan was approved by the Board of Supervisors on December 9, 2014. There was no real estate tax or sewer user fee increase. The General Fund Budget will total \$7,222,937, representing an increase of 11% compared to the 2014 General Fund Budget. A property assessed at \$350,000 will pay \$428.05 in Township real estate taxes in 2015.

Revenue derived from the Earned Income Tax will generate 48% of General Fund receipts and the tax is expected to continue its strong performance in 2015. Real Estate tax receipts are projected to remain the same in 2015 as in 2014. Building permit activity is expected to increase in 2015 with major projects planned at Foulkeways, Wissahickon High School and perhaps the Spring House Village Center. Other items included in the 2015 General Fund Budget include:

- A School Resource Officer (SRO) for the Wissahickon School District. The school district will reimburse the Township 75% of the cost or \$115,206 in 2015.
- Hiring of two (2) police officers to replace a retiring officer and the SRO.
- Hiring of a Public Works foreman.
- An 8.1% increase in health insurance premiums.

Pension actuarial and money management fees continue to be paid from the General Fund. GASB 67 and 68 require an actuarial study which will cost the Township \$20,000 for the pension funds. Pension fund costs will total 13% of General Fund expenditures.

The Wissahickon Fire Company has requested an increase in the Fire Tax. The Fire Tax has not been increased in at least 18 years and fire company transfers have not kept pace with inflation. An additional \$50,000 has been set aside from the Capital Reserve Fund for the Wissahickon Fire Company. Additional supplemental appropriations could be made during 2015 at the discretion of the Board of Supervisors. Worker's Compensation and insurance liability costs have doubled since 2013. These insurance costs are paid from the Fire Tax, depressing the amounts available to the fire companies.

The Recreation Fund will total \$528,847 in 2015. Program fees and revenue from the Recreation Tax produce 27% of the revenue required to support recreation programs. A transfer of \$380,000 will be required in 2015 to balance this fund's budget. A 10% increase in Summer Camp fees is proposed in 2015.

No increase is proposed in sewer user fees in 2015. The largest single cost reflected in the Fund is \$774,293 to Ambler Borough for treatment. This is an increase of 13%. The Township is responsible to pay 34.4% of the plant operating costs and pays the largest percentage of operating costs of any municipality. Capital project costs for the treatment plant in 2015 will total \$266,070, bringing the total paid to Ambler Borough to \$1,040,363.

TOWNSHIP OF LOWER GWYNEDD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

In 2015, \$71,242 is budgeted to be transferred from the Sewer Fund to Sewer Capital Reserve Fund, to be utilized for capital improvements to the sewer collection system. In 2015, \$100,000 has been allocated to televise and repair sewer pipes. The Township will concentrate on televising the asbestos pipe in the conveyance system. Other Sewer Capital Reserve projects include:

- A portion (40%) of the HVAC system (\$120,000)
- 50% of a new dump truck (\$87,500)
- Manhole adjustment related to the 2015 road program (\$20,000)
- A portion of the costs for audio-visual equipment, computer work stations and a computer server (\$15,400)

A \$200,000 transfer to the Open Space Fund from the General Fund is budgeted. In 2015, the joint trail project with Whitpain Township will proceed. The Township anticipates receiving \$300,003 in the form of reimbursement for this project. The largest cost element is for a bridge spanning the Wissahickon Creek. The Township's portion of the project is estimated at \$355,000.

The Capital Reserve Fund is the fund that is relied upon to pay for capital projects for all departments except Sewer. Expenditures from the Capital Reserve Fund are expected to be \$1,736,450 in 2015. The largest single expenditure will be \$838,500 for the 2015 road improvement program. Completion of the Township Building HVAC upgrade is scheduled for 2015. The Capital Reserve Fund (\$180,000) and Sewer Capital Reserve Fund (\$120,000) will be the sources of funding for this project.

The Traffic Impact Fund is the repository for Traffic Impact Fees collected from developers to provide added traffic capacity on roads in the Township. In 2015, the Township anticipates receiving \$100,000 in Traffic Impact Fees as a result of various developments presently in the planning stages. In 2015, the Township will expend \$367,900 to upgrade signals in the Spring House intersection with the assistance of a \$346,000 Automated Red Light Enforcement (ARLE) grant. Funds are reserved in the amount of \$125,000 for a signal at Meetinghouse Road and Rte. 202 from this fund. This represents 50% of the costs for a signal. Foulkeways has agreed to pay 50% of the costs if the signal installation is approved by PennDOT.

The Highway Aid Fund will receive a state allocation of \$285,296 in 2015 to maintain its 47.13 miles of Township roads. This amount has climbed from \$234,845 in 2011 due previously to the passage of Act 89. An allocation of \$60,000 is budgeted for the improvement of McKean Road. The Township anticipates spending \$75,000 for road salt in 2015. Expenditures from the fund may only be used for road maintenance, road construction or equipment used for roads.

The Township must contribute \$711,497 toward the Police Pension in 2015. Police contributions will total \$89,500 in 2015. Employee pension payments and a DROP payment will total \$937,265 in 2015.

A new valuation will occur based on assets as of January 1, 2015. The results of the valuation will determine the Township's Minimum Municipal Obligation for the next two (2) years. The Township anticipates making additional payments 2015 to further reduce its liabilities. Actuarial, administration and money management fees will continue to be paid from the General Fund in 2015.

TOWNSHIP OF LOWER GWYNEDD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2014

Other Post-Employment Benefits Trust Fund OPEB Fund (61)

The Board of Supervisors created Other Postemployment Benefits Trust in 2014 to partially offset the Township's costs and future liability to provide post-retirement health care to eligible retired police officers. In 2014, \$165,000 was deposited in the Trust. In 2015, a \$25,000 payment is anticipated. In 2015, OPEB benefits are budgeted for \$10,000.

The Municipal Pension is dedicated to paying retirement benefits to the Township's non-uniformed employees. The Township's required payment to keep this fund actuarially sound in 2015 is \$210,654. Pension payments to the eight (8) pensioners are anticipated to total \$97,765 in 2015.

As noted above for the Police Pension, the Township anticipates making additional payments into the Municipal Pension Fund to further reduce its liability. The 2015 Actuarial Valuation will determine the amount of future payments into this fund.

The Industrial Compact Fund was established to pay for periodic inspections of industrial/research facilities in the Township. One site visit is scheduled in 2015. No contributions will be required from the participating members in 2015.

In conclusion, the Township's financial position continues to be very strong. A dedicated fund has been established to partially offset the Township's costs and future liability to provide post-retirement health care to eligible retired police officers. The 2015 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 2015 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, PO Box 625, Spring House, PA 19477-0625.

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

TOWNSHIP OF LOWER GWYNEDD

STATEMENT OF NET POSITION

DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 9,403,915	\$ 2,864,574	\$ 12,268,489
Investments	-	537,781	537,781
Accounts receivable	30,632	-	30,632
Sewer rents receivable	-	41,352	41,352
Taxes receivable	308,595	-	308,595
Interest receivable	7,937	2,282	10,219
Assessments receivable	-	114,542	114,542
Internal balances	69,630	(69,630)	-
Prepaid items	12,774	6,255	19,029
Bond discount, net of accumulated amortization of \$6,110	-	3,089	3,089
Capital assets			
Sewer system and equipment	-	20,064,447	20,064,447
Land	10,853,367	-	10,853,367
Construction in progress	46,228	-	46,228
Buildings and building improvements	9,428,931	-	9,428,931
Furniture, equipment, automobiles and trucks	2,302,328	-	2,302,328
Infrastructure	20,192,554	-	20,192,554
Accumulated depreciation	(9,606,605)	(17,445,494)	(27,052,099)
TOTAL ASSETS	<u>43,050,286</u>	<u>6,119,198</u>	<u>49,169,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding, net of accumulated amortization of \$7,076	<u>7,075</u>	<u>-</u>	<u>7,075</u>
LIABILITIES			
Accounts payable and accrued expenses	304,325	65,268	369,593
Accrued interest	20,077	9,390	29,467
Escrow deposits	308,376	54,508	362,884
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	575,000	125,000	700,000
Portion due or payable after one year			
Bonds payable	2,075,000	700,000	2,775,000
Bond premium, net of accumulated amortization of \$20,171	27,056	-	27,056
OPEB liability	514,283	-	514,283
TOTAL LIABILITIES	<u>3,824,117</u>	<u>954,166</u>	<u>4,778,283</u>
NET POSITION			
Net investment in capital assets	30,546,822	1,793,953	32,340,775
Restricted	370,174	-	370,174
Unrestricted	<u>8,316,248</u>	<u>3,371,079</u>	<u>11,687,327</u>
TOTAL NET POSITION	<u>\$ 39,233,244</u>	<u>\$ 5,165,032</u>	<u>\$ 44,398,276</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General government	\$ 1,278,268	\$ 336,959	\$ 9,028
Public safety	3,916,551	307,041	202,086
Public works, highways, roads and streets	1,613,646	175,797	267,585
Culture and recreation	491,863	65,360	-
Insurance	63,918	-	-
Workmen's compensation	54,222	-	-
Payments to fire companies	166,903	-	-
Interest on long-term debt	63,670	-	-
Depreciation, unallocated	734,564	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,383,605	885,157	478,699
BUSINESS-TYPE ACTIVITIES			
Sewer	2,422,956	2,737,305	-
TOTAL TOWNSHIP ACTIVITIES	\$ 10,806,561	\$ 3,622,462	\$ 478,699

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Transfer taxes

Local services tax

Earned income taxes

Business privilege and mercantile taxes

Cable TV franchise fees

Investment income

Gain on sale/disposition of assets

Miscellaneous

TOTAL GENERAL REVENUES

INTERFUND TRANSFERS, net

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (932,281)	\$ -	\$ (932,281)
(3,407,424)	-	(3,407,424)
(1,170,264)	-	(1,170,264)
(426,503)	-	(426,503)
(63,918)	-	(63,918)
(54,222)	-	(54,222)
(166,903)	-	(166,903)
(63,670)	-	(63,670)
(734,564)	-	(734,564)
<u>(7,019,749)</u>	<u>-</u>	<u>(7,019,749)</u>
<u>-</u>	<u>314,349</u>	<u>314,349</u>
<u>(7,019,749)</u>	<u>314,349</u>	<u>(6,705,400)</u>
1,665,056	-	1,665,056
385,405	-	385,405
331,660	-	331,660
4,194,837	-	4,194,837
391,348	-	391,348
289,958	-	289,958
113,931	14,332	128,263
7,841	17,147	24,988
46,570	-	46,570
<u>7,426,606</u>	<u>31,479</u>	<u>7,458,085</u>
<u>83,030</u>	<u>(83,030)</u>	<u>-</u>
489,887	262,798	752,685
<u>38,743,357</u>	<u>4,902,234</u>	<u>43,645,591</u>
<u>\$ 39,233,244</u>	<u>\$ 5,165,032</u>	<u>\$ 44,398,276</u>

TOWNSHIP OF LOWER GWYNEDD

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	<u>General Fund</u>	<u>Traffic Impact Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,452,153	\$ 888,742
Accounts receivable	30,382	-
Taxes receivable, net	301,140	-
Interest receivable	3,030	591
Prepaid expenses	12,774	-
Due from other funds	69,700	-
	<u>2,869,179</u>	<u>889,333</u>
TOTAL ASSETS	\$ <u>2,869,179</u>	\$ <u>889,333</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 243,216	\$ 5,710
Due to other funds	-	-
Deferred revenues	4,449	-
Escrow deposits	308,376	-
	<u>556,041</u>	<u>5,710</u>
TOTAL LIABILITIES	<u>556,041</u>	<u>5,710</u>
FUND BALANCES		
Restricted		
Streets and highway repair	-	-
Street lighting	-	-
Fire protection	-	-
Fire hydrant	-	-
Debt service	-	-
Recreation	-	-
Assigned		
Capital projects	-	-
Traffic improvement	-	883,623
Unassigned	2,313,138	-
	<u>2,313,138</u>	<u>883,623</u>
TOTAL FUND BALANCES	<u>2,313,138</u>	<u>883,623</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,869,179</u>	\$ <u>889,333</u>

See accompanying notes to the basic financial statements.

<u>Open Space Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 957,507	\$ 4,713,886	\$ 391,627	\$ 9,403,915
-	250	-	30,632
-	-	2,860	304,000
1,534	2,642	140	7,937
-	-	-	12,774
-	-	-	69,700
<u>\$ 959,041</u>	<u>\$ 4,716,778</u>	<u>\$ 394,627</u>	<u>\$ 9,828,958</u>
\$ 20,922	\$ 11,542	\$ 18,486	\$ 299,876
-	-	70	70
-	-	-	4,449
-	-	-	308,376
<u>20,922</u>	<u>11,542</u>	<u>18,556</u>	<u>612,771</u>
-	-	203,895	203,895
-	-	28,221	28,221
-	-	1,626	1,626
-	-	70,743	70,743
-	-	18,159	18,159
-	-	47,530	47,530
938,119	4,705,236	-	5,643,355
-	-	-	883,623
-	-	5,897	2,319,035
<u>938,119</u>	<u>4,705,236</u>	<u>376,071</u>	<u>9,216,187</u>
<u>\$ 959,041</u>	<u>\$ 4,716,778</u>	<u>\$ 394,627</u>	<u>\$ 9,828,958</u>

TOWNSHIP OF LOWER GWYNEDD
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 9,216,187

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:

Land	10,853,367
Buildings and building improvements	9,428,931
Furniture, equipment, automobiles and trucks	2,302,328
Infrastructure	20,192,554
Construction in progress	46,228
Accumulated depreciation	(9,606,605)

Costs associated with the issuance of bonds are expensed in the Governmental Funds statements; however, these costs are capitalized and amortized in the government-wide statements:

Bond premium	(27,056)
Deferred amount on refunding	7,075

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

Accrued interest	(20,077)
Bonds payable in future years	(2,650,000)
OPEB liability	(514,283)

Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds.

4,595

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 39,233,244

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>	<u>Traffic Impact Fund</u>
REVENUES		
Taxes	\$ 6,107,238	\$ -
Licenses and permits	331,615	-
Fines and forfeits	22,291	-
Investment income, rents and royalties	288,421	4,751
Intergovernmental revenues	207,934	-
Charges for services	400,338	134,140
Contributions	2,500	-
Miscellaneous revenue	2,110	-
	<u>7,362,447</u>	<u>138,891</u>
TOTAL REVENUES		
EXPENDITURES		
General government	1,259,438	550
Public safety	4,001,461	-
Public works, highways, roads and streets	724,888	11,571
Culture and recreation	-	-
Insurance	57,833	-
Workmen's compensation	25,028	-
Payments to fire companies	-	-
Debt service	-	-
	<u>6,068,648</u>	<u>12,121</u>
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		
	<u>1,293,799</u>	<u>126,770</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of Township assets	-	-
Interfund transfers in	82,586	-
Interfund transfers out	<u>(2,536,206)</u>	<u>(2,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)		
	<u>(2,453,620)</u>	<u>(2,000)</u>
NET CHANGE IN FUND BALANCES		
	(1,159,821)	124,770
FUND BALANCES AT BEGINNING OF YEAR		
	<u>3,472,959</u>	<u>758,853</u>
FUND BALANCES AT END OF YEAR		
	<u>\$ 2,313,138</u>	<u>\$ 883,623</u>

See accompanying notes to the basic financial statements.

<u>Open Space Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 857,966	\$ 6,965,204
-	-	-	331,615
-	-	-	22,291
3,938	32,648	934	330,692
-	-	267,585	475,519
-	-	68,540	603,018
-	-	-	2,500
-	40,889	6,141	49,140
<u>3,938</u>	<u>73,537</u>	<u>1,201,166</u>	<u>8,779,979</u>
231	57,738	12	1,317,969
-	26,140	1,110	4,028,711
-	754,233	445,059	1,935,751
55,108	32,673	462,009	549,790
-	-	6,085	63,918
-	-	29,194	54,222
-	-	166,903	166,903
-	-	629,480	629,480
<u>55,339</u>	<u>870,784</u>	<u>1,739,852</u>	<u>8,746,744</u>
<u>(51,401)</u>	<u>(797,247)</u>	<u>(538,686)</u>	<u>33,235</u>
-	8,400	-	8,400
100,000	2,012,821	437,829	2,633,236
<u>(2,000)</u>	<u>(2,000)</u>	<u>(8,000)</u>	<u>(2,550,206)</u>
<u>98,000</u>	<u>2,019,221</u>	<u>429,829</u>	<u>91,430</u>
46,599	1,221,974	(108,857)	124,665
<u>891,520</u>	<u>3,483,262</u>	<u>484,928</u>	<u>9,091,522</u>
\$ <u>938,119</u>	\$ <u>4,705,236</u>	\$ <u>376,071</u>	\$ <u>9,216,187</u>

TOWNSHIP OF LOWER GWYNEDD

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 124,665
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	(224,897)
<p>Capital assets are capitalized in the government-wide statements. When those assets are disposed of or sold, the net book value is written off as a component of gain or loss on sale or disposition of assets. This represents the net book value of assets sold or disposed of during the period.</p>	(1,019)
<p>Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. This is the change in real estate tax lien for the current period.</p>	3,102
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	561,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	675
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	4,135
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:</p>	
OPEB liability	<u>22,226</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 489,887</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

Municipal
Authority
Fund

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 180,959
Sewer rents receivable	-
Assessments receivable, current portion	16,800
Prepaid expenses	-
Interest receivable	-

TOTAL CURRENT ASSETS	197,759
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RESTRICTED ASSETS

Investments	537,781
-------------	---------

LONG-TERM ASSESSMENTS RECEIVABLE, less current portion	97,742
--	--------

OTHER ASSETS

Future lease rents receivable	825,000
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BOND DISCOUNT, net of accumulated amortization of \$6,110	-
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CAPITAL ASSETS, net of accumulated depreciation of \$17,445,494	-
---	---

TOTAL ASSETS	1,658,282
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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	-
Accrued interest	-
Current portion of long-term debt	125,000
Escrow deposits	54,508
Due to other funds	-

TOTAL CURRENT LIABILITIES	179,508
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LONG-TERM DEBT, less current portion	700,000
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TOTAL LIABILITIES	879,508
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NET POSITION

Net investment in capital assets	-
Unrestricted	778,774

TOTAL NET POSITION	\$ 778,774
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See accompanying notes to the basic financial statements.

Enterprise Funds				Total Proprietary Funds
Sewer Enterprise Fund	Sewer Reserve Fund	Totals	Eliminations	
\$ 1,133,702	\$ 1,549,913	\$ 2,864,574	\$ -	\$ 2,864,574
41,352	-	41,352	-	41,352
-	-	16,800	-	16,800
6,255	-	6,255	-	6,255
824	1,458	2,282	-	2,282
1,182,133	1,551,371	2,931,263	-	2,931,263
-	-	537,781	-	537,781
-	-	97,742	-	97,742
-	-	825,000	(825,000)	-
3,089	-	3,089	-	3,089
2,618,953	-	2,618,953	-	2,618,953
3,804,175	1,551,371	7,013,828	(825,000)	6,188,828
31,545	33,723	65,268	-	65,268
9,390	-	9,390	-	9,390
-	-	125,000	-	125,000
-	-	54,508	-	54,508
14,913	54,717	69,630	-	69,630
55,848	88,440	323,796	-	323,796
825,000	-	1,525,000	(825,000)	700,000
880,848	88,440	1,848,796	(825,000)	1,023,796
1,793,953	-	1,793,953	-	1,793,953
1,129,374	1,462,931	3,371,079	-	3,371,079
\$ 2,923,327	\$ 1,462,931	\$ 5,165,032	\$ -	\$ 5,165,032

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Municipal Authority Fund</u>
OPERATING REVENUES	
Charges for services	\$ -
Fees and assessments	183,431
Interest on capital lease financing	42,360
Other operating revenues	-
	<u> -</u>
TOTAL OPERATING REVENUES	<u>225,791</u>
OPERATING EXPENSES	
Professional fees	40,481
Engineering	49,950
Rent	-
General operating expenses	-
Insurance	-
Workmen's compensation	-
Depreciation and amortization	-
Miscellaneous	-
Maintenance expense	-
Treatment expenses	-
	<u> -</u>
TOTAL OPERATING EXPENSES	<u>90,431</u>
OPERATING INCOME (LOSS)	<u>135,360</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(42,360)
Interest and investment income	-
Gain on disposal of assets	-
	<u> -</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(42,360)</u>
INCOME BEFORE OPERATING TRANSFERS	<u>93,000</u>
OPERATING TRANSFERS	
Operating transfers in	-
Operating transfers out	-
	<u> -</u>
TOTAL OPERATING TRANSFERS	<u> -</u>
CHANGE IN NET POSITION	93,000
NET POSITION AT BEGINNING OF YEAR	<u>685,774</u>
NET POSITION AT END OF YEAR	<u>\$ 778,774</u>

See accompanying notes to the basic financial statements.

Enterprise Funds				
Sewer Enterprise Fund	Sewer Reserve Fund	Totals	Eliminations	Total Proprietary Funds
\$ 2,541,792	\$ -	\$ 2,541,792	\$ -	\$ 2,541,792
-	-	183,431	-	183,431
-	-	42,360	(42,360)	-
12,082	-	12,082	-	12,082
<u>2,553,874</u>	<u>-</u>	<u>2,779,665</u>	<u>(42,360)</u>	<u>2,737,305</u>
14,654	-	55,135	-	55,135
-	-	49,950	-	49,950
103,360	-	103,360	-	103,360
660,845	-	660,845	-	660,845
156,298	-	156,298	-	156,298
10,103	-	10,103	-	10,103
464,119	-	464,119	-	464,119
-	15,489	15,489	-	15,489
183,498	-	183,498	-	183,498
682,999	-	682,999	-	682,999
<u>2,275,876</u>	<u>15,489</u>	<u>2,381,796</u>	<u>-</u>	<u>2,381,796</u>
<u>277,998</u>	<u>(15,489)</u>	<u>397,869</u>	<u>(42,360)</u>	<u>355,509</u>
(41,160)	-	(83,520)	42,360	(41,160)
4,717	9,615	14,332	-	14,332
-	17,147	17,147	-	17,147
<u>(36,443)</u>	<u>26,762</u>	<u>(52,041)</u>	<u>42,360</u>	<u>(9,681)</u>
<u>241,555</u>	<u>11,273</u>	<u>345,828</u>	<u>-</u>	<u>345,828</u>
225,918	387,531	613,449	(613,449)	-
<u>(468,561)</u>	<u>(227,918)</u>	<u>(696,479)</u>	<u>613,449</u>	<u>(83,030)</u>
<u>(242,643)</u>	<u>159,613</u>	<u>(83,030)</u>	<u>-</u>	<u>(83,030)</u>
(1,088)	170,886	262,798	-	262,798
<u>2,924,415</u>	<u>1,292,045</u>	<u>4,902,234</u>	<u>-</u>	<u>4,902,234</u>
<u>\$ 2,923,327</u>	<u>\$ 1,462,931</u>	<u>\$ 5,165,032</u>	<u>\$ -</u>	<u>\$ 5,165,032</u>

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Municipal Authority Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 411,354
Payments to and on behalf of employees	-
Payments to vendors and others	(86,295)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>325,059</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	-
Interest payments	(42,360)
Operating transfers to other funds	-
Operating transfers from other funds	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(42,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	-
Proceeds from sale of fixed assets	-
Change in investments	(294,144)
Investment income	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(294,144)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>192,404</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 180,959</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 135,360
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	-
Amortization	-
(Increase) decrease in	
Receivables, net	185,563
Prepaid expenses	-
Increase (decrease) in	
Accounts payable and accrued expenses	-
Escrow deposits	4,136
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 325,059</u>

See accompanying notes to the basic financial statements.

Enterprise Funds				
Sewer Enterprise Fund	Sewer Reserve Fund	Totals	Eliminations	Total Proprietary Funds
\$ 2,555,077	\$ -	\$ 2,966,431	\$ (42,360)	\$ 2,924,071
(550,972)	-	(550,972)	-	(550,972)
(1,267,731)	6,894	(1,347,132)	-	(1,347,132)
<u>736,374</u>	<u>6,894</u>	<u>1,068,327</u>	<u>(42,360)</u>	<u>1,025,967</u>
(120,000)	-	(120,000)	-	(120,000)
(41,160)	-	(83,520)	42,360	(41,160)
(468,561)	(227,918)	(696,479)	680,971	(15,508)
<u>238,723</u>	<u>442,248</u>	<u>680,971</u>	<u>(680,971)</u>	<u>-</u>
<u>(390,998)</u>	<u>214,330</u>	<u>(219,028)</u>	<u>42,360</u>	<u>(176,668)</u>
(225,918)	-	(225,918)	-	(225,918)
-	17,147	17,147	-	17,147
-	-	(294,144)	-	(294,144)
4,666	11,656	16,322	-	16,322
<u>(221,252)</u>	<u>28,803</u>	<u>(486,593)</u>	<u>-</u>	<u>(486,593)</u>
124,124	250,027	362,706	-	362,706
<u>1,009,578</u>	<u>1,299,886</u>	<u>2,501,868</u>	<u>-</u>	<u>2,501,868</u>
\$ <u>1,133,702</u>	\$ <u>1,549,913</u>	\$ <u>2,864,574</u>	\$ <u>-</u>	\$ <u>2,864,574</u>
\$ 277,998	\$ (15,489)	\$ 397,869	\$ (42,360)	\$ 355,509
463,578	-	463,578	-	463,578
541	-	541	-	541
1,203	-	186,766	-	186,766
(279)	-	(279)	-	(279)
(6,667)	22,383	15,716	-	15,716
<u>-</u>	<u>-</u>	<u>4,136</u>	<u>-</u>	<u>4,136</u>
\$ <u>736,374</u>	\$ <u>6,894</u>	\$ <u>1,068,327</u>	\$ <u>(42,360)</u>	\$ <u>1,025,967</u>

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 603,238
Investments	<u>12,439,961</u>
TOTAL ASSETS	<u>\$ 13,043,199</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	\$ 344
Pension liability	<u>3,459</u>
TOTAL LIABILITIES	<u>3,803</u>
NET POSITION	
Held in trust for pension benefits	<u>13,039,396</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,043,199</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Member contributions	\$ 83,418
Employer contribution	1,075,363
State contribution	193,634
Gain on investments	369,481
Interest and dividends	<u>291,136</u>
TOTAL ADDITIONS	2,013,032
DEDUCTIONS	
Employee benefit payments	<u>799,403</u>
CHANGE IN NET POSITION	1,213,629
NET POSITION AT BEGINNING OF YEAR	<u>11,825,767</u>
NET POSITION AT END OF YEAR	<u>\$ 13,039,396</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation and Accounting

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

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Township reports the following major Governmental Funds:

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

Traffic Impact Fund (Special Revenue Fund) - The Traffic Impact Fund is used to account for developers fees collected to be used for roadway improvements.

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

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

The Township reports the following major Proprietary Funds:

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the Township reports the following fund types:

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

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

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

Fiduciary Funds

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

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fiduciary Funds are reported using the economic resources measurement focus.

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

Budgets and Budgetary Accounting

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Interfund Transactions

As a result of its operations, the Township has a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2014, appropriate interfund receivables or payables have been established.

Allowance for Uncollectible Accounts

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

Capital Assets

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Use of Estimates

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

Real Estate Property Tax

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after June 30. The Township employs an elected tax collector to collect the property tax levied. The tax collector remits Township taxes at least monthly and is paid a salary.

Compensated Absences

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

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Equity

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Committed Fund Balance** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. As of December 31, 2014, the Board has not delegated the authority to assign fund balance.
- **Unassigned Fund Balance** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. As of December 31, 2014, \$9,716,356 was insured by the Federal Depository Insurance Corporation. The remaining \$3,157,595 of the Township's bank balance of \$12,873,951 was exposed to custodial credit risk as follows:

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

Total Governmental Funds	\$ <u>2,155,420</u>
Township Proprietary Funds	\$ <u>648,937</u>
Township Fiduciary Funds	\$ <u>353,238</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

As of December 31, 2014, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities One Year or Less</u>	<u>Investment Rating</u>
PROPRIETARY FUNDS			
Money Market Accounts	\$ <u>537,781</u>	\$ <u>537,781</u>	N/A
FIDUCIARY FUNDS			
Mutual Funds	\$ <u>12,439,961</u>	\$ <u>12,439,961</u>	N/A

At December 31, 2014, there were no investments in any one organization that represented 5% or more of total investments other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,595,063	\$ 258,304	\$ -	\$ 10,853,367
Infrastructure	13,154,136	-	-	13,154,136
Construction in progress	-	46,228	-	46,228
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	23,749,199	304,532	-	24,053,731
Capital assets being depreciated				
Infrastructure	7,038,418	-	-	7,038,418
Buildings and building improvements	9,418,525	10,406	-	9,428,931
Furniture, equipment, automobiles and trucks	2,256,520	194,729	(148,921)	2,302,328
TOTAL CAPITAL ASSETS BEING DEPRECIATED	18,713,463	205,135	(148,921)	18,769,677
Accumulated depreciation				
Infrastructure	(3,042,712)	(228,545)	-	(3,271,257)
Buildings and building improvements	(4,564,124)	(306,368)	-	(4,870,492)
Furniture, equipment, automobiles and trucks	(1,413,107)	(199,651)	147,902	(1,464,856)
TOTAL ACCUMULATED DEPRECIATION	(9,019,943)	(734,564)	147,902	(9,606,605)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	9,693,520	(529,429)	(1,019)	9,163,072
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	33,442,719	(224,897)	(1,019)	33,216,803
BUSINESS-TYPE ACTIVITIES				
Sewer system and equipment	19,838,529	225,918	-	20,064,447
Accumulated depreciation	(16,981,916)	(463,578)	-	(17,445,494)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	2,856,613	(237,660)	-	2,618,953
TOTAL CAPITAL ASSETS, net	\$ 36,299,332	\$ (462,557)	\$ (1,019)	\$ 35,835,756

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - DEBT

Bonded Debt, Municipal Authority

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

General Obligation Bonds

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

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

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

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - DEBT (Continued)

The following is a summary of transactions affecting long-term obligations for the year ended December 31, 2014:

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

Debt Service Requirements

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

General Obligation Bonds

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 575,000	\$ 47,790	\$ 622,790
2016	590,000	36,140	626,140
2017	600,000	24,240	624,240
2018	615,000	12,090	627,090
2019	<u>270,000</u>	<u>2,970</u>	<u>272,970</u>
	<u><u>\$ 2,650,000</u></u>	<u><u>\$ 123,230</u></u>	<u><u>\$ 2,773,230</u></u>

<u>Balance Outstanding January 1, 2014</u>	<u>Proceeds from New Obligations</u>	<u>Retired During Year</u>	<u>Balance Outstanding December 31, 2014</u>	<u>Due Within One Year</u>
\$ 471,000	\$ -	\$ (471,000)	\$ -	\$ -
<u>2,740,000</u>	<u>-</u>	<u>(90,000)</u>	<u>2,650,000</u>	<u>575,000</u>
3,211,000	-	(561,000)	2,650,000	575,000
32,960	-	(5,904)	27,056	-
536,509	-	(22,226)	514,283	-
<u>3,780,469</u>	<u>-</u>	<u>(589,130)</u>	<u>3,191,339</u>	<u>575,000</u>
<u>945,000</u>	<u>-</u>	<u>(120,000)</u>	<u>825,000</u>	<u>125,000</u>
\$ <u>4,725,469</u>	\$ <u>-</u>	\$ <u>(709,130)</u>	\$ <u>4,016,339</u>	\$ <u>700,000</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE D - DEBT (Continued)

Guaranteed Sewer Revenue Bonds, Series of 2003

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 125,000	\$ 37,560	\$ 162,560
2016	130,000	31,935	161,935
2017	135,000	26,085	161,085
2018	140,000	20,010	160,010
2019	150,000	13,570	163,570
2020	<u>145,000</u>	<u>6,670</u>	<u>151,670</u>
	<u>\$ 825,000</u>	<u>\$ 135,830</u>	<u>\$ 960,830</u>

NOTE E - COMMITMENTS

In February 1989, the Township entered into a five-year, noncancelable agreement for the lease of office space, with an option to renew. In October 1993, the lessee exercised the option to renew for the next ten years. In April 2004, the lessee exercised the option to renew until April 2009. In April 2009, the lessee exercised the option to renew for an additional five years until April 2014. In April 2014, the lessee exercised the option to renew for an additional five years until April 2019. For the year ended December 31, 2014, lease payments received by the Township were \$113,401.

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 69,700	\$ -
Special Revenue Funds	-	70
PROPRIETARY FUNDS		
Sewer Enterprise Fund	-	14,913
Sewer Reserve Fund	<u>-</u>	<u>54,717</u>
	<u>\$ 69,700</u>	<u>\$ 69,700</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - INTERFUND TRANSFERS

Interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 82,586	\$ 2,536,206
Open Space Fund	100,000	2,000
Capital Reserve Fund	2,012,821	2,000
Debt Service Fund	72,849	-
Special Revenue Funds	364,980	10,000
PROPRIETARY FUNDS		
Sewer Enterprise Fund	225,918	468,561
Sewer Reserve Fund	<u>387,531</u>	<u>227,918</u>
	<u>\$ 3,246,685</u>	<u>\$ 3,246,685</u>

NOTE H - RISK MANAGEMENT

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

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

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

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.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - 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. Short-term investments are reported at cost, which approximates fair value. 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 the Act. 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--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 Director, one non-uniform 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 of Lower Gwynedd as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>14</u>
	<u><u>27</u></u>

Benefits Provided - The plan provides retirement benefits as well as death and disability benefits. The normal retirement benefit is 50% 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% of the normal retirement benefit the member was receiving or would have been receiving is payable to the surviving spouse for life.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

If there is no surviving spouse or 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% of his salary at the time of disability less Social Security disability benefits.

Each member will be eligible for retirement on the day after the member completes 25 years of service and attains age 50 (age 55 for any employee hired on or after January 1, 2013). Each member shall be eligible for early retirement upon the completion of 20 years of service. This benefit will be reduced for early commencement. If a member leaves the employ of the Township or ceases to be a member by reason of transfer, resignation, discharge or by reason of disability, he shall be vested in his benefit after 12 years of full-time service. His vested benefit payable at his normal retirement date is equal to 50% 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 5% 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 5% per annum, if any.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit 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% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used 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 5% of the participant's pay.

The MMO obligation for the Police Pension Plan was \$686,937 for the year 2014. Contributions of \$678,502 and \$108,435 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.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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, 2014:

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

Concentrations - More than 5% of the Township's investments are in domestic equity, international equity and fixed income assets. These investments are 48%, 25% and 23%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2014, were as follows:

Total pension liability	\$ 12,082,675
Plan fiduciary net position	<u>(9,002,631)</u>
NET PENSION LIABILITY	<u>\$ 3,080,044</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74.51%</u>

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%

Mortality rates were based on the UP-1994 Table with projection scale AA for males and females.

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

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, 2014 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9.0%
International equity	9.3%
Fixed income	4.9%
Cash	3.3%

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% funded status.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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%, 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%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ <u>4,627,014</u>	\$ <u>3,080,044</u>	\$ <u>1,788,896</u>

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, 2014, one member has elected to participate in the DROP. The total DROP account balance is approximately \$170,476.

NOTE J - 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 the Act. 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--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.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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-uniform 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 of Lower Gwynedd as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>21</u>
	<u><u>35</u></u>

Benefits Provided - The plan provides retirement benefits. The normal retirement benefit is 50% of the member's monthly average compensation, reduced for service less than 25 years. For members retiring early, the accrued benefit is reduced by 1/2 of 1% 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% 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% 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% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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.

The MMO obligation for the plan was \$207,060 for the year 2014. Contributions of \$221,861 and \$85,199 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, 2014:

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

Concentrations - More than 5% of the Township's investments are in domestic equity, international equity and fixed income. These investments are 48%, 25% and 23%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2014, were as follows:

Total pension liability	\$ 4,014,025
Plan fiduciary net position	<u>(3,871,613)</u>
NET PENSION LIABILITY	\$ <u>142,412</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>96.45%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%

Mortality rates were based on the UP-1994 Table with projection scale AA for males and females.

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

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, 2014 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9.0%
International equity	9.3%
Fixed income	5.9%
Cash	3.3%

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE J - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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% funded status.

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%, 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%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	\$ <u>657,994</u>	\$ <u>142,412</u>	\$ <u>(294,721)</u>

NOTE K - 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.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

Normal cost	\$ 50,933
Amortization of unfunded actuarial accrued liability	118,006
Interest on annual required contribution	6,758
ANNUAL REQUIRED CONTRIBUTION (ARC)	175,697
Interest on net OPEB obligation	21,819
Adjustment to ARC	(54,054)
ANNUAL OPEB EXPENSE	143,462
Contributions	(165,688)
INCREASE IN NET OPEB OBLIGATION	(22,226)
Net OPEB obligation at beginning of year	536,509
NET OPEB OBLIGATION AT END OF YEAR	\$ 514,283

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 123,202	6%	\$ 420,539
2013	123,202	6%	536,509
2014	143,462	115%	514,283

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,119,445 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,484,220, and the ratio of the UAAL to the covered payroll was 75.4%.

TOWNSHIP OF LOWER GWYNEDD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements of 0.5% to an ultimate rate of 5.0% after six years. The unfunded AAL is being amortized over a 15-year period.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF LOWER GWYNEDD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,353,700	\$ 5,984,812	\$ 6,107,238	\$ 122,426
Licenses and permits	263,650	331,498	331,615	117
Fines and forfeits	25,000	21,239	22,291	1,052
Interest income, rents and royalties	270,480	288,051	288,421	370
Intergovernmental revenues	239,715	263,749	207,934	(55,815)
Charges for services	254,400	352,789	400,338	47,549
Contributions	500	2,500	2,500	-
Miscellaneous revenue	100	2,110	2,110	-
TOTAL REVENUES	<u>6,407,545</u>	<u>7,246,748</u>	<u>7,362,447</u>	<u>115,699</u>
EXPENDITURES				
General government	1,260,557	1,278,623	1,259,438	19,185
Public safety	3,744,716	4,115,556	4,001,461	114,095
Public works, highways, roads and streets	661,546	701,091	724,888	(23,797)
Insurance	63,005	62,545	57,833	4,712
Workmen's compensation	54,210	25,028	25,028	-
TOTAL EXPENDITURES	<u>5,784,034</u>	<u>6,182,843</u>	<u>6,068,648</u>	<u>114,195</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>623,511</u>	<u>1,063,905</u>	<u>1,293,799</u>	<u>229,894</u>
OTHER FINANCING SOURCES (USES)				
Unencumbered reserve	-	1,389,715	-	(1,389,715)
Interfund transfers in	76,075	82,586	82,586	-
Interfund transfers out	(699,586)	(2,536,206)	(2,536,206)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(623,511)</u>	<u>(1,063,905)</u>	<u>(2,453,620)</u>	<u>(1,389,715)</u>
NET CHANGE IN FUND BALANCE	-	-	(1,159,821)	(1,159,821)
FUND BALANCE AT BEGINNING OF YEAR	<u>3,472,959</u>	<u>3,472,959</u>	<u>3,472,959</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,472,959</u>	<u>\$ 3,472,959</u>	<u>\$ 2,313,138</u>	<u>\$ (1,159,821)</u>

TOWNSHIP OF LOWER GWYNEDD
TREND DATA ON INFRASTRUCTURE CONDITION
YEAR ENDED DECEMBER 31, 2014

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and roads, and the Township Road Master uses an internal system based on the PASER Pavement Evaluation Program. The Road Master evaluates individual streets and roads based on a numbering system of 1 through 10, where a rating of 10 represents a new/revitalized condition and a rating of 1 represents a worn/exhausted condition. These condition ratings also reflect the life expectancy before milling and overlay work is needed. The assessment of condition is made by visual test designed to reveal any condition that would reduce highway-user benefits below the level of service. The Township's policy is to maintain the street condition at a level of 5 or better. The following reports the average condition as of December 31, 2014, and for the two preceding periods:

<u>Year</u>	<u>Average Condition</u>
2014	6.205
2013	6.152
2012	6.336

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

	<u>Original Budget</u>	<u>Actual</u>
2014	\$ 781,660	\$ 642,165
2013	641,258	440,905
2012	651,005	659,353
2011	584,213	588,361
2010	452,850	289,910

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2014

TOTAL PENSION LIABILITY	
Service cost	\$ 314,398
Interest	826,356
Benefit payments	<u>(493,278)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	647,476
Total pension liability, beginning	11,264,723
DROP balance at December 31, 2014	<u>170,476</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 12,082,675</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 786,937
Member	83,418
Net investment income	462,698
Benefit payments, including refunds of member contributions	<u>(705,817)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	627,236
Plan fiduciary net position, beginning	<u>8,375,395</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 9,002,631</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 3,080,044</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>74.51%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,668,327</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>184.62%</u>

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF POLICE PENSION
PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2014

ACTUARIALLY DETERMINED CONTRIBUTION	\$ 563,368
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>786,937</u>
CONTRIBUTION EXCESS	<u>\$ (223,569)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,668,327</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>47.17%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	UP 1994 Table with projection scale AA

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF POLICE PENSION
PLAN INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2014

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

5.58%

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF CHANGES IN THE NET NON-
UNIFORMED EMPLOYEES' PENSION PLAN
LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2014

TOTAL PENSION LIABILITY	
Service cost	\$ 138,271
Interest	273,329
Benefit payments	<u>(83,931)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	327,669
Total pension liability, beginning	<u>3,686,356</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,014,025</u>
PLAN FIDUCIARY NET POSITION	
Contributions, employer	\$ 307,060
Net investment income	198,111
Benefit payments, including refunds of member contributions	<u>(83,931)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	421,240
Plan fiduciary net position, beginning	<u>3,450,373</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,871,613</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 142,412</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>96.45%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,389,910</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>10.25%</u>

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2014

ACTUARIALLY DETERMINED CONTRIBUTION	\$ 186,797
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>307,060</u>
CONTRIBUTION EXCESS	<u>\$ (120,263)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,389,910</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>22.09%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	9 years
Asset valuation method	Market value
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	UP 1994 Table with projection scale AA

TOWNSHIP OF LOWER GWYNEDD
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2014

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

5.58%

TOWNSHIP OF LOWER GWYNEDD
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2011	\$ -	\$ 847,411	\$ 847,411	0%	\$ 1,498,305	56.6%
2012	-	905,360	905,360	0%	1,469,776	61.6%
2014	-	1,119,445	1,119,445	0%	1,484,220	75.4%

SUPPLEMENTARY INFORMATION SECTION

TOWNSHIP OF LOWER GWYNEDD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>Highway Aid Fund</u>	<u>Street Lighting Fund</u>
ASSETS		
Cash and cash equivalents	\$ 203,895	\$ 28,929
Taxes receivable, net	-	25
Interest receivable	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 203,895</u>	<u>\$ 28,954</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 733
Due to other funds	-	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>733</u>
FUND BALANCES		
Restricted		
Streets and highway repair	203,895	-
Street lighting	-	28,221
Fire protection	-	-
Fire hydrant	-	-
Debt service	-	-
Recreation	-	-
Unassigned	-	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>203,895</u>	<u>28,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 203,895</u>	<u>\$ 28,954</u>

Special Revenue Funds

Fire Protection Fund	Recreation Fund	Fire Hydrant Fund	Industrial Compact Fund	Debt Service Fund	Total Other Governmental Funds
\$ 970	\$ 65,106	\$ 70,468	\$ 5,897	\$ 16,362	\$ 391,627
656	247	135	-	1,797	2,860
-	-	140	-	-	140
<u>\$ 1,626</u>	<u>\$ 65,353</u>	<u>\$ 70,743</u>	<u>\$ 5,897</u>	<u>\$ 18,159</u>	<u>\$ 394,627</u>
\$ -	\$ 17,753	\$ -	\$ -	\$ -	\$ 18,486
-	70	-	-	-	70
-	<u>17,823</u>	-	-	-	<u>18,556</u>
-	-	-	-	-	203,895
-	-	-	-	-	28,221
1,626	-	-	-	-	1,626
-	-	70,743	-	-	70,743
-	-	-	-	18,159	18,159
-	47,530	-	-	-	47,530
-	-	-	5,897	-	5,897
<u>1,626</u>	<u>47,530</u>	<u>70,743</u>	<u>5,897</u>	<u>18,159</u>	<u>376,071</u>
<u>\$ 1,626</u>	<u>\$ 65,353</u>	<u>\$ 70,743</u>	<u>\$ 5,897</u>	<u>\$ 18,159</u>	<u>\$ 394,627</u>

TOWNSHIP OF LOWER GWYNEDD
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	Highway Aid Fund	Street Lighting Fund
REVENUES		
Taxes	\$ -	\$ 16,585
Investment income, rents and royalties	381	5
Intergovernmental revenues	267,585	-
Charges for services	3,180	-
Miscellaneous revenue	1,846	4,295
TOTAL REVENUES	<u>272,992</u>	<u>20,885</u>
EXPENDITURES		
General government	-	-
Public safety	-	-
Public works, highways, roads and streets	395,856	9,488
Culture and recreation	-	-
Insurance	-	-
Workmen's compensation	-	-
Payments to fire companies	-	-
Debt service	-	-
TOTAL EXPENDITURES	<u>395,856</u>	<u>9,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(122,864)</u>	<u>11,397</u>
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	-	-
Interfund transfers out	-	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,000)</u>
NET CHANGE IN FUND BALANCES	(122,864)	9,397
FUND BALANCES AT BEGINNING OF YEAR	<u>326,759</u>	<u>18,824</u>
FUND BALANCES AT END OF YEAR	<u>\$ 203,895</u>	<u>\$ 28,221</u>

Special Revenue Funds

<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Fire Hydrant Fund</u>	<u>Industrial Compact Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 194,706	\$ 73,350	\$ 39,882	\$ -	\$ 533,443	\$ 857,966
5	11	253	2	277	934
-	-	-	-	-	267,585
-	65,360	-	-	-	68,540
-	-	-	-	-	6,141
<u>194,711</u>	<u>138,721</u>	<u>40,135</u>	<u>2</u>	<u>533,720</u>	<u>1,201,166</u>
-	-	12	-	-	12
-	-	-	1,110	-	1,110
-	-	39,715	-	-	445,059
-	462,009	-	-	-	462,009
3,008	3,077	-	-	-	6,085
22,848	6,346	-	-	-	29,194
166,903	-	-	-	-	166,903
-	-	-	-	629,480	629,480
<u>192,759</u>	<u>471,432</u>	<u>39,727</u>	<u>1,110</u>	<u>629,480</u>	<u>1,739,852</u>
<u>1,952</u>	<u>(332,711)</u>	<u>408</u>	<u>(1,108)</u>	<u>(95,760)</u>	<u>(538,686)</u>
-	364,980	-	-	72,849	437,829
(2,000)	(2,000)	(2,000)	-	-	(8,000)
<u>(2,000)</u>	<u>362,980</u>	<u>(2,000)</u>	<u>-</u>	<u>72,849</u>	<u>429,829</u>
(48)	30,269	(1,592)	(1,108)	(22,911)	(108,857)
<u>1,674</u>	<u>17,261</u>	<u>72,335</u>	<u>7,005</u>	<u>41,070</u>	<u>484,928</u>
<u>\$ 1,626</u>	<u>\$ 47,530</u>	<u>\$ 70,743</u>	<u>\$ 5,897</u>	<u>\$ 18,159</u>	<u>\$ 376,071</u>

TOWNSHIP OF LOWER GWYNEDD
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Pension Trust Funds			Totals
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Other Post- Employment Benefits	
ASSETS				
Cash	\$ 160,950	\$ 438,352	\$ 3,936	\$ 603,238
Investments	<u>3,710,663</u>	<u>8,567,738</u>	<u>161,560</u>	<u>12,439,961</u>
TOTAL ASSETS	<u>\$ 3,871,613</u>	<u>\$ 9,006,090</u>	<u>\$ 165,496</u>	<u>\$ 13,043,199</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Account payable	\$ -	\$ -	\$ 344	\$ 344
Pension liability	<u>-</u>	<u>3,459</u>	<u>-</u>	<u>3,459</u>
TOTAL LIABILITIES	<u>-</u>	<u>3,459</u>	<u>344</u>	<u>3,803</u>
NET POSITION				
Held in trust for pension benefits	<u>3,871,613</u>	<u>9,002,631</u>	<u>165,152</u>	<u>13,039,396</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,871,613</u>	<u>\$ 9,006,090</u>	<u>\$ 165,496</u>	<u>\$ 13,043,199</u>

TOWNSHIP OF LOWER GWYNEDD
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Pension Trust Funds			Totals
	Non-Uniformed Employees Pension Fund	Police Pension Fund	Other Post- Employment Benefits	
ADDITIONS				
Member contributions	\$ -	\$ 83,418	\$ -	\$ 83,418
Employer contribution	221,861	678,502	175,000	1,075,363
State contribution	85,199	108,435	-	193,634
Gain (loss) on investments	110,916	260,380	(1,815)	369,481
Interest and dividends	87,196	202,318	1,622	291,136
TOTAL ADDITIONS	505,172	1,333,053	174,807	2,013,032
DEDUCTIONS				
Employee benefit payments	83,931	705,817	9,655	799,403
CHANGE IN NET POSITION	421,241	627,236	165,152	1,213,629
NET POSITION AT BEGINNING OF YEAR	3,450,372	8,375,395	-	11,825,767
NET POSITION AT END OF YEAR	\$ <u>3,871,613</u>	\$ <u>9,002,631</u>	\$ <u>165,152</u>	\$ <u>13,039,396</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower Gwynedd as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township of Lower Gwynedd's basic financial statements, and have issued our report thereon dated May 7, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maullis LLP

Oaks, Pennsylvania
May 7, 2015