



Lower Gwynedd Township
Spring House, Pennsylvania
Montgomery County

Financial Statements
Year Ended December 31, 2022



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Philadelphia, PA 19103

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LOWER GWYNEDD TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

**Board of Supervisors
Lower Gwynedd Township
Spring House, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township, Spring House, Pennsylvania as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Lower Gwynedd Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township, Spring House, Pennsylvania as of December 31, 2022, 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.

Basis for Opinions

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 of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Gwynedd Township, Spring House, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 14 to the financial statements, Lower Gwynedd Township adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Gwynedd Township, Spring House, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Gwynedd Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Gwynedd Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Lower Gwynedd Township's 2021 financial statements, and our report dated February 1, 2023, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, budgetary comparison schedule – Traffic Improvement Fund, budgetary comparison schedule – Highway Aid Fund, the schedules changes in net pension liability (asset), schedule of Township pension contributions, schedule of changes in net OPEB liability and the trend data on infrastructure condition on pages 4 through 14 and 50 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Gwynedd Township's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023 on our consideration of Lower Gwynedd Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lower Gwynedd Township's 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 Lower Gwynedd Township's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
May 9, 2023**

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of Lower Gwynedd Township, Spring House, Pennsylvania (the "**Township**") provides an overview of the Township's financial performance for fiscal year ended December 31, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the Township's financial performance.

TOWNSHIP PROFILE

The Township was established in 1891 and operates as a Township of a second class under the Township Code of Pennsylvania which is governed by an elected five-member Board of Supervisors. The Township is located in south central Montgomery County, Pennsylvania. The Township encompasses 9.4 square miles, which includes the geographic areas of Gwynedd, Gwynedd Valley, Penllyn and Spring House. From these villages has grown a community joined in a commitment to provide a safe, productive and prosperous environment in which to reside, raise a family and conduct business. With the City of Philadelphia situated approximately 17 miles to the east and easy access to the Pennsylvania Turnpike, Schuylkill Expressway, Interstate 476 and the Route 202 and Route 422 corridors, Lower Gwynedd Township is truly strategically located for the projected growth into the 21st Century.

FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets and deferred outflows of resources of the Township exceeded liabilities and deferred inflows of resources resulting in total net position at the close of the 2022 fiscal year of \$58,618,488. During the 2022 fiscal year, the Township had an increase in total net position of \$1,485,717. The net position of the governmental activities increased by \$602,186 and net position of business-type activities increased by \$883,531.
- As of the close of the 2022 fiscal year, the Township's governmental funds reported combined ending fund balances of \$15,594,999, an increase of \$3,049,083 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$1,336,040, bringing the cumulative balance to \$7,682,410 or 78.39% of total General Fund expenditures and other financing uses at the conclusion of the 2022 fiscal year.
- General Fund revenues and other financing sources were \$1,250,794 or 12.65% more than budgeted amounts and General Fund expenditures and other financing uses were \$320,438 or 3.17% less than budgeted amounts resulting in a net positive variance of \$1,571,232.
- The Township's 2022 total real estate tax rate of 1.223 mills has remained the same since 2012.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Township is improving or deteriorating. To assess the Township's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Township's tax base and the condition of the Township's assets.

The Statement of Activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The government-wide financial statements distinguish the functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the Township's activities are divided into two categories:

Governmental Activities

Most of the Township's basic services are included here, such as general administration, public safety, health and human services, public works, culture and recreation and community development.

Business-type Activities

The Township's business-type activities charge a fee to customers to help cover all or most of the cost of certain services it provides. The Township's sewer system is reported as business-type activities.

The government-wide financial statements can be found on pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the Township's basic services are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains 10 individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the five major funds and the nonmajor governmental funds.

The Township adopts an annual appropriated budget for its General, Traffic Impact and Highway Aid Funds. A budgetary comparison schedule has been provided for the General, Traffic Impact and Highway Aid Funds to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 17 through 20 of this report.

Proprietary Funds

Township maintains one type of proprietary fund. All of the Township's proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for the Sewer Operating Fund, Sewer Reserve Fund and the Stormwater Fund.

The proprietary fund financial statements can be found on pages 21 through 23 of this report.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Fiduciary Funds

The Township is the trustee, or fiduciary, for its employees' pension plans, other postemployment benefit plan and escrows funds. Fiduciary funds are not reflected in the government-wide financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township has an Escrow Fund, Other Postemployment Benefits Trust Fund and three pension trust funds (Police, Nonuniform Defined Benefit and Nonuniform Defined Contribution).

The fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 26 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, Traffic Impact Fund and Highway Aid Fund and schedules concerning the Township's net pension liability and pension contributions and changes in its net other post-employment benefits liability, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 50 through 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the Township's financial condition. At the close of the 2022 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$58,618,488. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
ASSETS						
Current assets	\$17,097,092	\$13,875,385	\$ 7,534,082	\$6,542,877	\$24,631,174	\$20,418,262
Noncurrent assets	<u>33,517,082</u>	<u>35,350,104</u>	<u>2,746,281</u>	<u>2,962,181</u>	<u>36,263,363</u>	<u>38,312,285</u>
Total assets	<u>50,614,174</u>	<u>49,225,489</u>	<u>10,280,363</u>	<u>9,505,058</u>	<u>60,894,537</u>	<u>58,730,547</u>
DEFERRED OUTFLOWS						
Deferred charges – OPEB	200,670	92,415	-	-	200,670	92,415
Deferred charges - pensions	<u>3,082,382</u>	<u>373,053</u>	<u>-</u>	<u>-</u>	<u>3,082,382</u>	<u>373,053</u>
Total deferred outflows	<u>3,283,052</u>	<u>465,468</u>	<u>-</u>	<u>-</u>	<u>3,283,052</u>	<u>465,468</u>
LIABILITIES						
Current liabilities	1,477,995	1,296,891	311,758	419,984	1,789,753	1,716,875
Noncurrent liabilities	<u>3,474,299</u>	<u>(3,317,160)</u>	<u>-</u>	<u>-</u>	<u>3,474,299</u>	<u>(3,317,160)</u>
Total liabilities	<u>4,952,294</u>	<u>(2,020,269)</u>	<u>311,758</u>	<u>419,984</u>	<u>5,264,052</u>	<u>(1,600,285)</u>
DEFERRED INFLOWS						
Deferred credits – lease receivable	197,284	340,586	-	-	197,284	340,586
Deferred credits – OPEB	84,972	221,807	-	-	84,972	221,807
Deferred credits – pensions	<u>12,793</u>	<u>3,101,136</u>	<u>-</u>	<u>-</u>	<u>12,793</u>	<u>3,101,136</u>
Total deferred inflows	<u>295,049</u>	<u>3,663,529</u>	<u>-</u>	<u>-</u>	<u>295,049</u>	<u>3,663,529</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	33,319,798	35,009,518	2,611,653	2,829,462	35,931,451	37,838,980
Restricted	2,084,163	1,200,756	-	-	2,084,163	1,200,756
Unrestricted	<u>13,245,922</u>	<u>11,837,423</u>	<u>7,356,952</u>	<u>6,255,612</u>	<u>20,602,874</u>	<u>18,093,035</u>
Total net position (deficit)	<u>\$48,649,883</u>	<u>\$48,047,697</u>	<u>\$ 9,968,605</u>	<u>\$9,085,074</u>	<u>\$58,618,488</u>	<u>\$57,132,771</u>

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

The Township's total assets as of December 31, 2022 were \$60,894,537 of which \$23,688,431 or 38.90% consisted of unrestricted cash and \$35,931,451 or 59.00% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2022 were \$5,264,052 of which \$3,474,299 or 66.00% consisted of the actuarially determined net pension and OPEB liabilities.

The Township had unrestricted net position of \$20,602,874 at December 31, 2022. The Township's unrestricted net position increased by \$2,509,839 during 2022 primarily due to the results of current year operations.

A portion of the Township's net position reflects its restricted net position which totaled \$2,084,163 as of December 31, 2022. The restricted net position relates to the net position of special revenue funds.

The largest portion of the Township's net position reflects its net investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to residents of the Township; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any future debt that is incurred, as the Township is debt-free as of December 31, 2022, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2022, the Township's net investment in capital assets decreased by \$1,907,529 primarily due to the dedication of Phase I of the Spring House intersection improvement project to the Commonwealth of Pennsylvania.

The following table presents condensed information for the *Statement of Activities* of the Township for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 1,352,963	\$ 1,100,010	\$2,748,036	\$2,739,946	\$ 4,100,999	\$ 3,839,956
Operating grants and contributions	850,568	821,318	263,400	-	1,113,968	821,318
Capital grants and contributions	-	635,483	-	-	-	635,483
General revenues						
Property taxes levied for general purposes	1,712,778	1,689,708	-	-	1,712,778	1,689,708
Earned income taxes levied for general purposes	5,782,888	5,228,328	-	-	5,782,888	5,228,328
Other taxes	2,348,630	1,808,501	-	-	2,348,630	1,808,501
Franchise fees	267,512	271,198	-	-	267,512	271,198
Investment income	232,659	16,831	93,432	2,331	326,091	19,162
Gain (loss) on sale or disposal of assets	(1,319,958)	-	22,500	-	(1,297,458)	-
Miscellaneous	2,238	2,801	-	-	2,238	2,801
Total revenues	<u>11,230,278</u>	<u>11,574,178</u>	<u>3,127,368</u>	<u>2,742,277</u>	<u>14,357,646</u>	<u>14,316,455</u>
EXPENSES						
General government	1,832,429	1,975,748	-	-	1,832,429	1,975,748
Public safety	6,740,025	4,751,796	-	-	6,740,025	4,751,796
Public works – highways and streets	1,384,733	1,451,910	-	-	1,384,733	1,451,910
Culture and recreation	675,069	571,402	-	-	675,069	571,402
Sewer and stormwater	-	-	2,239,673	2,365,929	2,239,673	2,365,929
Total expenses	<u>10,632,256</u>	<u>8,750,856</u>	<u>2,239,673</u>	<u>2,365,929</u>	<u>12,871,929</u>	<u>11,116,785</u>
Change in net position (deficit) before transfers	598,022	2,823,322	887,695	376,348	1,485,717	3,199,670
TRANSFERS	4,164	44,307	(4,164)	(44,307)	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 602,186</u>	<u>\$ 2,867,629</u>	<u>\$ 883,531</u>	<u>\$ 332,041</u>	<u>\$ 1,485,717</u>	<u>\$ 3,199,670</u>

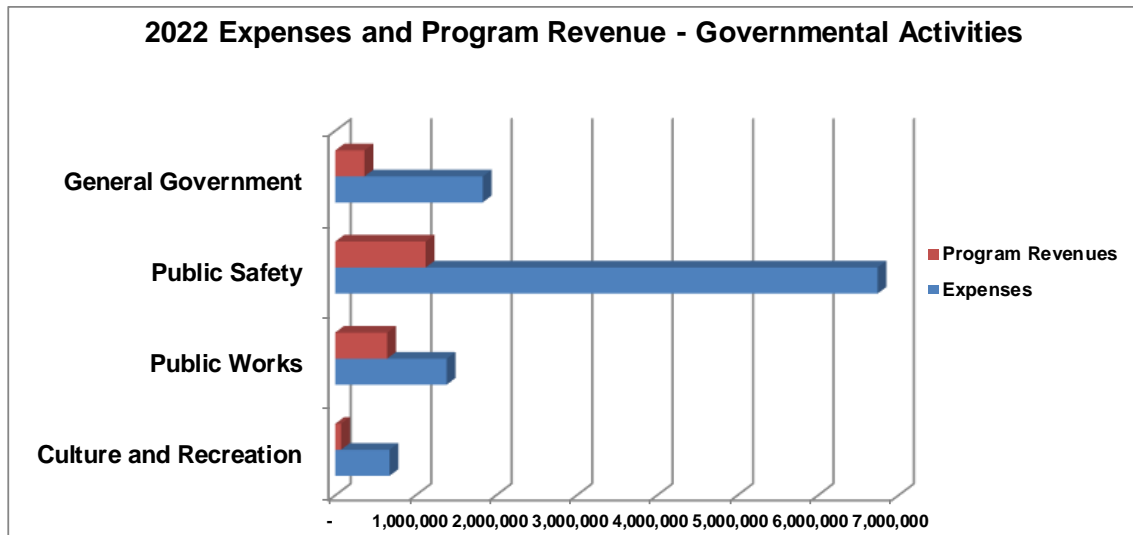
LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

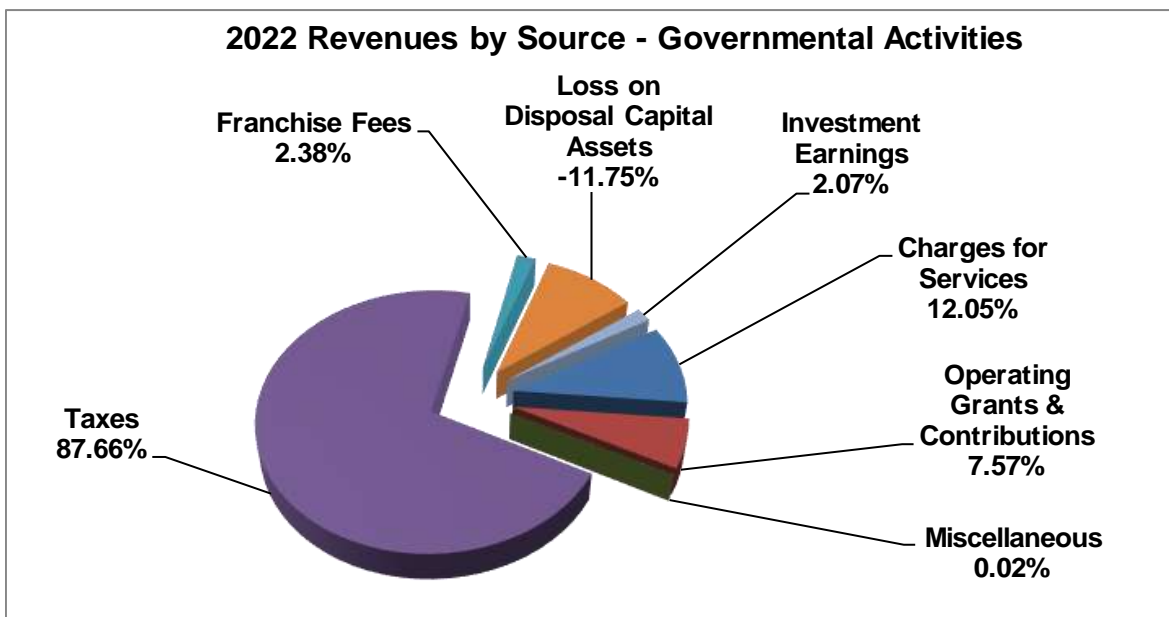
December 31, 2022

Overall, the Township's financial position has been improving, but challenges such as increased medical costs and pension contributions, rising costs associated with inflation and residential and commercial development and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Township continues to implement cost efficiencies and revenue-generating strategies to combat these factors.

The *Statement of Activities* provides detail that focuses on how the Township finances its services. The *Statement of Activities* compares the costs of the Township functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the Township's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the Township's functions or programs cost more than they raise, the Statement of Activities shows how the Township chose to finance the difference through general revenues. The following chart shows that the Township relies on tax revenues to finance its governmental activities.



LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

GOVERNMENTAL FUNDS

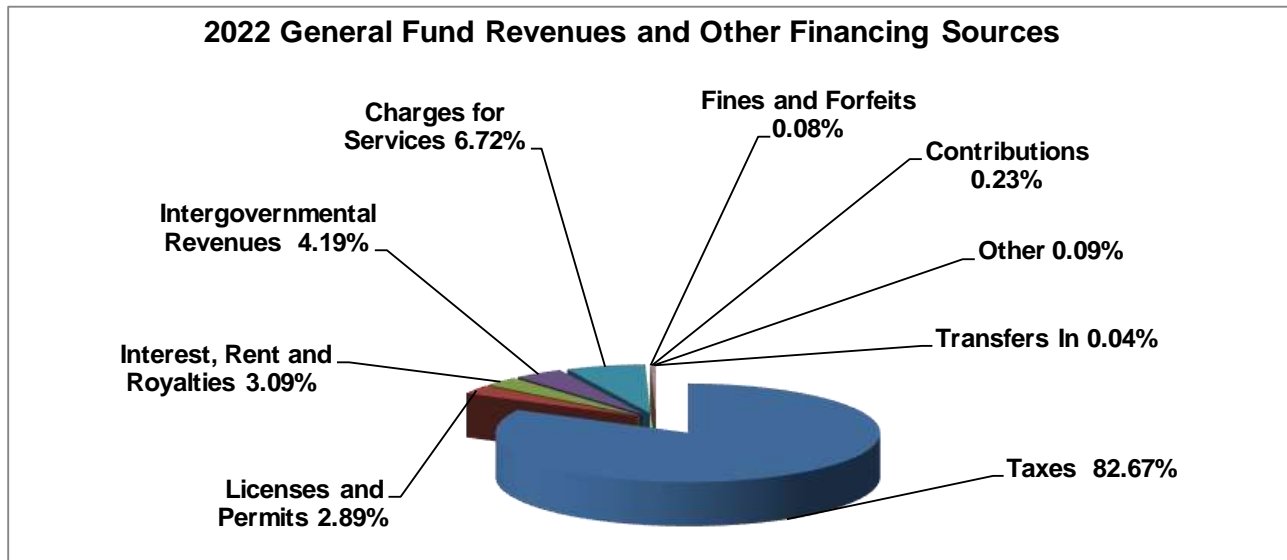
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2022, the Township's governmental funds reported a combined fund balance of \$15,594,999 which is an increase of \$3,049,083 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>
General Fund	\$ 7,682,410	\$ 6,346,370	\$1,336,040
Open Space Fund	2,141,541	1,415,552	725,989
Capital Reserve Fund	3,686,885	3,582,948	103,937
Traffic Impact Fund	1,691,267	612,953	1,078,314
Highway Aid Fund	271,125	352,139	(81,014)
Nonmajor Governmental Funds	<u>121,771</u>	<u>235,954</u>	<u>(114,183)</u>
	<u>\$15,594,999</u>	<u>\$12,545,916</u>	<u>\$3,049,083</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2022 fiscal year the General Fund fund balance was \$7,682,410 representing an increase of \$1,336,040 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 82.67% of General Fund revenues are derived from local taxes.



LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

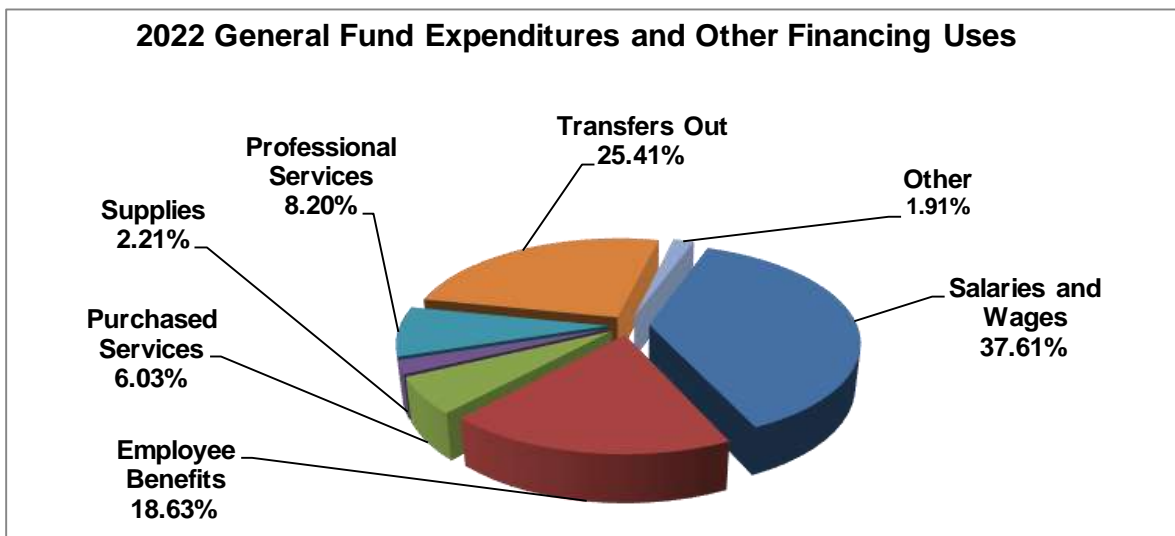
General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$ 9,206,894	\$8,067,783	\$1,139,111	14.12
Licenses and permits	322,247	325,243	(2,996)	(0.92)
Interest, rents and royalties	343,863	267,676	76,187	28.46
Intergovernmental revenues	467,068	393,230	73,838	18.78
Charges for services	747,861	721,882	25,979	3.60
Fines and forfeits	9,406	12,687	(3,281)	(25.86)
Contributions	25,097	73,711	(48,614)	(65.95)
Other	9,887	4,021	5,866	145.88
Transfers in	4,164	44,455	(40,291)	(90.63)
	<u>\$11,136,487</u>	<u>\$9,910,688</u>	<u>\$1,225,799</u>	<u>12.37</u>

Taxes increased by \$1,139,111 or 14.12% primarily due to better than anticipated collections for earned income, realty transfer, mercantile and business privilege taxes in 2022 compared to 2021.

Interest, rents and royalties increased by \$76,817 or 28.46% commensurate with interest rates and amounts available for investment.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The Township is a service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$3,685,851	\$3,393,973	\$ 291,878	8.60
Employee benefits	1,826,159	2,190,907	(364,748)	(16.65)
Supplies	216,423	170,534	45,889	26.91
Purchased services	590,655	517,126	73,529	14.22
Professional services	804,431	818,232	(13,801)	(1.69)
Other	186,928	150,596	36,332	24.13
Transfers out	2,490,000	1,165,000	1,325,000	113.73
	<u>\$9,800,447</u>	<u>\$8,406,368</u>	<u>\$1,394,079</u>	<u>16.58</u>

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Salaries and wages increased by \$291,878 or 8.60% primarily as a result of scheduled salary increases within the Township's collective bargaining agreement negotiated with the police and an increase in salaries and wages for patrolmen including overtime.

Employee benefit costs decreased by \$364,748 or 16.65% as a result of the Township's decreased minimum municipal obligation for its pension plans as a result of strong investment returns.

Transfers out to other fund to subsidize capital projects and other activities increased in directly correlation with budgeted appropriations.

CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources that are restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment. The Open Space Fund accounts for the purchase of land to maintain open space within the Township. During 2022, the Open Space Fund fund balance increased by \$725,989 due to a budgeted transfer from the General Fund in the amount of \$700,000 for a cumulative balance of \$2,141,541 as of December 31, 2022 which is assigned for the purchase of open space. The Capital Reserve Fund is used to set funds aside for construction projects and purchases of equipment by the Township. During 2022, the Capital Reserve Fund fund balance increased by \$103,937 for a cumulative balance of \$3,686,885 as of December 31, 2022 which is assigned for capital purchases.

SPECIAL REVENUE FUNDS

Special revenue funds are maintained to account for the proceeds of specific revenue sources that are to be expended for specified purposes. The Traffic Impact Fund receives traffic impact fees and those funds are used to improve traffic conditions within the Township. During 2022, the Traffic Impact Fund fund balance increased by \$1,078,314 due to a budgeted transfer from the General Fund in the amount of \$900,000 for a cumulative balance of \$1,691,267 as of December 31, 2022 which is restricted for future traffic improvement projects. The Highway Aid Fund accounts for appropriations from the state gas tax through the Pennsylvania Department of Transportation to be used for road improvements, snow and ice removal and road related capital projects through the Public Works Department. During 2022, the Highway Aid Fund fund balance decreased by \$81,014 for a cumulative balance of \$271,125 as of December 31, 2022 which is restricted for road projects.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue funds, capital projects funds and a debt service fund. The nonmajor special revenue funds include the Street Lighting Fund, Fire Protection Fund, Fire Hydrant Fund, and Recreation Fund. Major revenue sources for these funds include taxes, intergovernmental revenues and charges for services. During 2022, the Nonmajor Governmental Funds fund balance decreased by \$114,183 for a cumulative balance of \$121,439 as of December 31, 2022. Also, within the nonmajor governmental funds the Debt Service Fund fund balance of \$332 is restricted for debt service. More detailed information regarding the nonmajor governmental funds can be found in the combining and individual fund financial statements on pages 58 and 59.

GENERAL FUND BUDGET INFORMATION

The Township maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Township budgets and expends funds according to procedures mandated by Township code of the Commonwealth of Pennsylvania. An annual operating budget is prepared by management and submitted to the Board of Supervisors for approval prior to the beginning of the fiscal year on January 1 each year. The most significant budgeted fund is the General Fund.

General Fund revenues and other financing sources were \$1,250,794 or 12.65% more than budgeted amounts and General Fund expenditures and other financing uses were \$320,438 or 3.17% less than budgeted amounts resulting in a net positive variance of \$1,571,232. Revenues and other financing sources were more than budget primarily due to realty transfer, earned income, mercantile and business privilege taxes being more than budgeted, while expenditures for public works – highways and street being less anticipated was the major variance contributing to expenditures being less than budget.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 51. The Budgetary Comparison Schedule – General Fund shows the original budget, final budget and actual revenues, expenditures and other financing sources for the fiscal year. There were no differences between the original and final budgets.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

The Township sewer system was constructed by the Lower Gwynedd Township Municipal Authority (the "**Authority**") at the request of the Board of Supervisors. On December 16, 2015, the Authority's 2003 Sewer Revenue Bonds were redeemed with the intention to dissolve the Authority, which occurred on April 7, 2016. The Township is now directly responsible for the operation, maintenance and repair of the sewer system. All activities associated with the sewer system area accounted for within the Sewer Operating and Reserve Funds. Sewer rates for 2022 were based on metered water consumption at \$88 for the first 12,000 gallons and \$5.80 for each gallon thereafter per quarter. Sewer rates were last raised 10 percent beginning January 1, 2017. Prior to the 2017 rate increase, rates remained unchanged since July 2010. In 2020, the Township established a Stormwater Fund to account for stormwater management activities, that are financed primarily through user charges and developer contributions.

The net position of the Township's business type activities and proprietary funds increase by \$883,531 during 2022. The net position of the business-type activities and proprietary funds totaled \$9,968,605 at December 31, 2022.

CAPITAL ASSETS

The Township's investment in capital assets as of December 31, 2022 amounted to \$35,931,451, net of accumulated depreciation. This investment in capital assets includes land, infrastructure, buildings and improvements and furniture and equipment. The total net decrease in the Township's investment in capital assets for 2022 was \$1,907,529 or 5.04%. The decrease was the result of current year depreciation expense and the net book value of disposed of capital assets in excess of capital additions.

Current year capital additions were \$421,768, depreciation expense was \$984,652 and the net book value of disposed of capital assets was \$1,344,645.

The net book value of the disposed of capital assets was for the dedication of Phase I of the Spring House intersection improvement project to the Commonwealth of Pennsylvania.

The Township has elected to use the modified approach to record the current costs of preserving infrastructure in lieu of depreciation. The roads and streets are maintained at a high standards, and the related maintenance costs are expensed. Only expenditures that increase capacity or efficiency of the infrastructure are capitalized.

NONCURRENT LIABILITIES

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

The Township reports its defined benefit pension liability (asset) and its net liability (asset) for post-employment benefits on its statement of position. The Township's net pension liability (asset) and net liability for post-employment benefits are actuarially determined liabilities (assets). The Township's net pension liability was \$2,981,772 as of December 31, 2022, which increased by \$6,511,526 or 184.48% during the current year due to a decrease in assets held in trust for benefits resulting from investment loss. The Township's net liability for post-employment benefits is a liability of \$492,527 as of December 31, 2022, which increased by \$279,933 or 131.67% during the current year.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

Next Year's Budget

The Township uses a conservative approach to budgeting which entails budgeting at the lower end of acceptable range for revenues. If revenues exceed projection, the excess is transferred to Capital Projects Funds per the Township's fund balance policy. The local economy has thrived over the past few years, and the conservative budgeting approach has resulted in additional cash reserves in the General Fund and Capital Projects Funds. The reserves will help the Township future economic uncertainties and also pay for both anticipated and unanticipated expenditures.

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

The Township adopted a balanced 2023 General Fund budget totaling \$9,658,594 which used \$392,221 of the General Fund fund balance as of December 31, 2022 and the real estate tax millage rate remained unchanged at 1.223 mills.

The 2023 fiscal plan includes the following:

- No tax increases
- Approximately 50% of General Fund revenues are derived from earned income taxes. All municipalities have limited taxing options for taxing sources which are established by the Commonwealth. These limited options result in a strong reliance on earned income taxes, which could result in unanticipated shortfalls should there be a downturn in the economy. To lessen the impact of any unforeseen economic downturn, the Township has adopted a fund balance policy which provides for 35 percent of future anticipated expenditures to be reserved as unassigned fund balance.
- A contribution of \$289,369 to the Police Pension Plan and a contribution of \$3,792 to the Non-Uniform Pension Plan are included in the 2023 General Fund budget.
- The 2023 budget includes a \$25,000 contribution to the OPEB Plan.
- The 2023 General Fund budget includes a transfer of \$600,000 from the General Fund to the Capital Reserve Fund where the funds will be used to maintain and enhance the Township's road and public infrastructure.
- The 2023 General Fund budget includes a transfer of \$700,000 to the Traffic Impact Fund to subsidize costs with a multimodal transportation grant for the Spring House intersection project and green light go grants through the Pennsylvania Department of Transportation.

Economic Factors

The Township is located in the southeastern section of Montgomery County, 15 miles from Philadelphia. The Township is served by a network of major roads, including state routes 63, 202 and 309 and the Pennsylvania Turnpike, which offers convenient access to the City of Philadelphia, as well as major suburban employment centers in Conshohocken and King of Prussia. The Township is also served by two SEPTA passenger rail stations within its borders, Penllyn and Gwynedd Valley Stations.

Strong local industries and proximity to major employment centers and educational institutions play an important role in the Township's economy. The Township is home to Gwynedd Mercy University; Wissahickon High, Middle, and Elementary Schools; and the prestigious Gwynedd Mercy Academy Elementary and High Schools. Wissahickon High School is ranked 18th of all Pennsylvania high schools in the most recent U.S. News and World Report rankings. The largest employer in the Township is Janssen Pharmaceutical Companies, a subsidiary of Johnson & Johnson, with 2,000 employees. Other noted employers in the Township are Wissahickon School District, Gwynedd Mercy University, Berkadia Mortgage, Acts Retirement Life Community, Foulkeways at Gwynedd and Whole Foods.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2022

Spring House Innovation Park, the former Dow Chemical site on Norristown Road, offers 600,000 square feet of work space and continues to redevelop. The site is owned by Beacon Capital Partners, which has been successful in attracting new companies to the location for life sciences, research and development, financial services, technology and start-up bio-tech companies. There are currently 23 businesses operating out of this location.

Ambler Yards completed redevelopment of 14 buildings into shared workspaces at the former BASF chemical plant. Their innovative designs and amenities have attracted more than 30 companies, employing over 600 people.

The Township's population grew steadily in decades past, slowing in recent years. According to the U.S. Census Bureau, the population in 1980 was 6,902. In 2010, the Township's population was 11,405. In 2021, the estimated population was 12,066 people. The Montgomery County Planning Commission is projecting that the Township's population will grow to 12,651 by 2045.

According to the Montgomery County Planning Commission, the median sale price for all housing units, new and resale, in the Township for 2022 was \$659,700 with a median household income of \$117,684. These statistics all bode well for the Township's tax base and revenue stream.

In conclusion, the Township's financial position continues to be strong. The 2023 Budget and Fiscal Plan includes the resources to continue to improve services and to meet future needs. The Township continues to adhere to the fund balance policy and has been able to maintain its General Fund fund balance at the high end of the prescribed range of 25 to 35 percent of anticipated expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Lower Gwynedd Township, P.O. Box 625, Spring House, PA 19477-0625.

LOWER GWYNEDD TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-Type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 16,092,514	\$ 7,595,917	\$ 23,688,431	\$ 19,337,876
Accounts receivable	171,029	-	171,029	111,625
Taxes receivable	516,055	-	516,055	741,373
Sewer fees receivable	-	255,659	255,659	215,081
Internal balances	317,494	(317,494)	-	-
Prepaid expenses	-	-	-	12,307
Total current assets	17,097,092	7,534,082	24,631,174	20,418,262
NONCURRENT ASSETS				
Restricted cash held in escrow	-	134,628	134,628	132,719
Lease receivable	197,284	-	197,284	340,586
Capital assets, net	33,319,798	2,611,653	35,931,451	37,838,980
Total noncurrent assets	33,517,082	2,746,281	36,263,363	38,312,285
Total assets	50,614,174	10,280,363	60,894,537	58,730,547
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - OPEB	200,670	-	200,670	92,415
Deferred charges - pensions	3,082,382	-	3,082,382	373,053
Total deferred outflows of resources	3,283,052	-	3,283,052	465,468
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	256,031	177,130	433,161	975,028
Escrow deposits	-	134,628	134,628	132,719
Deferred revenue	1,221,964	-	1,221,964	609,128
Total current liabilities	1,477,995	311,758	1,789,753	1,716,875
NONCURRENT LIABILITIES				
Due within one year	-	-	-	-
Due in more than one year	3,474,299	-	3,474,299	(3,317,160)
Total noncurrent liabilities	3,474,299	-	3,474,299	(3,317,160)
Total liabilities	4,952,294	311,758	5,264,052	(1,600,285)
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on lease receivable	197,284	-	197,284	340,586
Deferred credits - OPEB	84,972	-	84,972	221,807
Deferred credits - pensions	12,793	-	12,793	3,101,136
Total deferred inflows of resources	295,049	-	295,049	3,663,529
NET POSITION				
Net investment in capital assets	33,319,798	2,611,653	35,931,451	37,838,980
Restricted	2,084,163	-	2,084,163	1,200,756
Unrestricted (deficit)	13,245,922	7,356,952	20,602,874	18,093,035
Total net position	\$ 48,649,883	\$ 9,968,605	\$ 58,618,488	\$ 57,132,771

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2022 with summarized comparative totals for 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES								
General government	\$ 1,832,429	\$ 292,698	\$ 69,994	\$ -	\$ (1,469,737)	\$ -	\$ (1,469,737)	\$ (1,573,683)
Public safety	6,740,025	783,757	339,538	-	(5,616,730)	-	(5,616,730)	(3,720,740)
Public works - highways and streets	1,384,733	225,545	420,554	-	(738,634)	-	(738,634)	(382,233)
Culture and recreation	675,069	50,963	20,482	-	(603,624)	-	(603,624)	(517,389)
Total governmental activities	10,632,256	1,352,963	850,568	-	(8,428,725)	-	(8,428,725)	(6,194,045)
BUSINESS-TYPE ACTIVITIES								
Sewer and stormwater	2,239,673	2,748,036	263,400	-	-	771,763	771,763	374,017
Total primary government	\$ 12,871,929	\$ 4,100,999	\$ 1,113,968	\$ -	(8,428,725)	771,763	(7,656,962)	(5,820,028)
GENERAL REVENUES								
Taxes								
Real estate taxes					1,712,778	-	1,712,778	1,689,708
Transfer taxes					1,035,389	-	1,035,389	920,364
Earned income taxes					5,782,888	-	5,782,888	5,228,328
Local services taxes					442,210	-	442,210	389,969
Business privilege and mercantile taxes					871,031	-	871,031	498,168
Franchise fees					267,512	-	267,512	271,198
Investment earnings					232,659	93,432	326,091	19,162
Gain (loss) on disposal of capital assets					(1,319,958)	22,500	(1,297,458)	-
Miscellaneous					2,238	-	2,238	2,801
Total general revenues					9,026,747	115,932	9,142,679	9,019,698
TRANSFERS					4,164	(4,164)	-	-
CHANGE IN NET POSITION					602,186	883,531	1,485,717	3,199,670
NET POSITION								
Beginning of year					48,047,697	9,085,074	57,132,771	53,933,101
End of year					\$ 48,649,883	\$ 9,968,605	\$ 58,618,488	\$ 57,132,771

See accompanying notes

LOWER GWYNEDD TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022 with summarized comparative totals for 2021

	General Fund	Open Space Fund	Capital Reserve Fund	Traffic Impact Fund	Highway Aid Fund	Nonmajor Governmental Funds	Totals	
							2022	2021
ASSETS								
Cash and cash equivalents	\$ 5,663,996	\$ 2,157,431	\$ 5,945,730	\$ 1,564,260	\$ 271,125	\$ 489,972	\$ 16,092,514	\$ 12,824,484
Accounts receivable	171,029	-	-	-	-	-	171,029	111,625
Taxes receivable	510,576	-	-	-	-	5,479	516,055	741,373
Lease receivable	197,284	-	-	-	-	-	197,284	340,586
Prepaid items	-	-	-	-	-	-	-	12,067
Due from other funds	1,973,935	-	-	127,007	-	2,954	2,103,896	288,719
Total assets	\$ 8,516,820	\$ 2,157,431	\$ 5,945,730	\$ 1,691,267	\$ 271,125	\$ 498,405	\$ 19,080,778	\$ 14,318,854
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued expenses	\$ 239,093	\$ -	\$ 2,879	\$ -	\$ -	\$ 14,059	\$ 256,031	\$ 687,763
Due to other funds	383,018	15,890	1,034,002	-	-	353,492	1,786,402	102,883
Deferred revenues	-	-	1,221,964	-	-	-	1,221,964	609,128
Total liabilities	622,111	15,890	2,258,845	-	-	367,551	3,264,397	1,399,774
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue on lease receivable	197,284	-	-	-	-	-	197,284	340,586
Unavailable revenues - property taxes	15,015	-	-	-	-	9,083	24,098	32,578
Total deferred inflows of resources	212,299	-	-	-	-	9,083	221,382	373,164
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	12,067
Restricted for								
Streets and highways	-	-	-	-	271,125	-	271,125	352,139
Street lighting	-	-	-	-	-	26,416	26,416	23,620
Fire protection	-	-	-	-	-	30,841	30,841	8,315
Fire hydrant	-	-	-	-	-	65,931	65,931	67,100
Recreation	-	-	-	-	-	(1,749)	(1,749)	136,297
Traffic impact fees	-	-	-	1,691,267	-	-	1,691,267	612,953
Debt service	-	-	-	-	-	332	332	332
Assigned for								
Capital projects	-	2,141,541	3,686,885	-	-	-	5,828,426	4,998,500
Unassigned	7,682,410	-	-	-	-	-	7,682,410	6,334,593
Total fund balances	7,682,410	2,141,541	3,686,885	1,691,267	271,125	121,771	15,594,999	12,545,916
Total liabilities, deferred inflows of resources and fund balances	\$ 8,516,820	\$ 2,157,431	\$ 5,945,730	\$ 1,691,267	\$ 271,125	\$ 498,405	\$ 19,080,778	\$ 14,318,854

See accompanying notes

LOWER GWYNEDD TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

December 31, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 15,594,999
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	33,319,798
Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	24,098
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	3,185,287
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(3,474,299)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 48,649,883</u>

LOWER GWYNEDD TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	General Fund	Open Space Fund	Capital Reserve Fund	Traffic Impact Fund	Highway Aid Fund	Nonmajor Governmental Funds	Totals	
							2022	2021
REVENUES								
Taxes	\$ 9,206,894	\$ -	\$ -	\$ -	\$ -	\$ 645,881	\$ 9,852,775	\$ 8,693,960
Licenses and permits	322,247	-	-	-	-	-	322,247	325,243
Fines and forfeits	9,406	-	-	-	-	-	9,406	12,687
Interest, rent and royalties	343,863	35,079	80,408	24,006	10,498	7,158	501,012	277,369
Intergovernmental revenues	467,068	-	-	-	359,979	-	827,047	1,376,865
Charges for services	747,861	6,500	-	221,645	-	44,463	1,020,469	777,613
Contributions	25,097	-	-	-	-	842	25,939	73,846
Miscellaneous	2,238	-	-	-	-	-	2,238	4,021
Total revenues	<u>11,124,674</u>	<u>41,579</u>	<u>80,408</u>	<u>245,651</u>	<u>370,477</u>	<u>698,344</u>	<u>12,561,133</u>	<u>11,541,604</u>
EXPENDITURES								
Current								
General government	1,649,320	-	137,765	-	-	-	1,787,085	1,913,270
Public safety	4,835,672	-	341,800	-	-	42,276	5,219,748	4,894,863
Public works - sanitation	5,700	-	-	-	-	-	5,700	7,003
Public works - highways and streets	743,921	-	108,528	64,919	451,491	14,101	1,382,960	2,595,787
Culture and recreation	17,469	15,590	138,065	-	-	572,514	743,638	931,828
Insurance	45,204	-	-	-	-	3,577	48,781	91,963
Employee benefits	13,161	-	-	-	-	30,396	43,557	129,496
Payments to fire companies	-	-	-	-	-	314,663	314,663	329,120
Total expenditures	<u>7,310,447</u>	<u>15,590</u>	<u>726,158</u>	<u>64,919</u>	<u>451,491</u>	<u>977,527</u>	<u>9,546,132</u>	<u>10,893,330</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,814,227</u>	<u>25,989</u>	<u>(645,750)</u>	<u>180,732</u>	<u>(81,014)</u>	<u>(279,183)</u>	<u>3,015,001</u>	<u>648,274</u>
OTHER FINANCING SOURCES (USES)								
Refunds of prior year expenditures (revenues)	7,649	-	-	(2,418)	-	-	5,231	(2,280)
Transfers in	4,164	700,000	725,000	900,000	-	165,000	2,494,164	1,209,455
Transfers out	(2,490,000)	-	-	-	-	-	(2,490,000)	(1,165,148)
Proceeds from sale of capital assets	-	-	24,687	-	-	-	24,687	-
Total other financing sources (uses)	<u>(2,478,187)</u>	<u>700,000</u>	<u>749,687</u>	<u>897,582</u>	<u>-</u>	<u>165,000</u>	<u>34,082</u>	<u>42,027</u>
NET CHANGE IN FUND BALANCES	<u>1,336,040</u>	<u>725,989</u>	<u>103,937</u>	<u>1,078,314</u>	<u>(81,014)</u>	<u>(114,183)</u>	<u>3,049,083</u>	<u>690,301</u>
FUND BALANCES								
Beginning of year	<u>6,346,370</u>	<u>1,415,552</u>	<u>3,582,948</u>	<u>612,953</u>	<u>352,139</u>	<u>235,954</u>	<u>12,545,916</u>	<u>11,855,615</u>
End of year	<u>\$ 7,682,410</u>	<u>\$ 2,141,541</u>	<u>\$ 3,686,885</u>	<u>\$ 1,691,267</u>	<u>\$ 271,125</u>	<u>\$ 121,771</u>	<u>\$ 15,594,999</u>	<u>\$ 12,545,916</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

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

Year ended December 31, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 3,049,083
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Amounts reported for governmental activities in the statement of activities are different because:

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 and reported as depreciation expense. This is the amount by which depreciation expense and the net book value of disposed of capital assets exceed capital outlays in the current period.

Capital outlay expenditures	\$ 384,486	
Net book value of disposed capital assets	(1,344,645)	
Depreciation expense	<u>(729,561)</u>	(1,689,720)

Because some tax 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. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources December 31, 2021	(32,578)	
Deferred inflows of resources December 31, 2022	<u>24,098</u>	(8,480)

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

Change in net OPEB liability and related deferred inflows and outflows	(34,843)	
Change in net pension liability and related deferred inflows and outflows	<u>(713,854)</u>	(748,697)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 602,186</u>
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LOWER GWYNEDD TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2022 with summarized comparative totals for 2021

	Sewer Operating Fund	Sewer Reserve Fund	Stormwater Fund	Totals	
				2022	2021
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,444,947	\$ 3,826,353	\$ 324,617	\$ 7,595,917	\$ 6,513,392
Sewer fees receivable	255,659	-	-	255,659	215,081
Due from other funds	-	122,131	253,057	375,188	105,393
Prepaid expenses	-	-	-	-	240
Total current assets	3,700,606	3,948,484	577,674	8,226,764	6,834,106
RESTRICTED ASSETS					
Cash held in escrow	134,628	-	-	134,628	132,719
NONCURRENT ASSETS					
Capital assets, net	2,611,653	-	-	2,611,653	2,829,462
Total noncurrent assets	2,611,653	-	-	2,611,653	2,829,462
Total assets	6,446,887	3,948,484	577,674	10,973,045	9,796,287
LIABILITIES					
Accounts payable and accrued expenses	139,951	34,363	2,816	177,130	287,265
Escrow deposits	134,628	-	-	134,628	132,719
Due to other funds	468,565	224,117	-	692,682	291,229
Total liabilities	743,144	258,480	2,816	1,004,440	711,213
NET POSITION					
Investment in capital assets	2,611,653	-	-	2,611,653	2,829,462
Unrestricted	3,092,090	3,690,004	574,858	7,356,952	6,255,612
Total net position	\$ 5,703,743	\$ 3,690,004	\$ 574,858	\$ 9,968,605	\$ 9,085,074

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF CHANGES REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	Sewer	Sewer	Stormwater	Totals	
	Operating Fund	Reserve Fund		2022	2021
OPERATING REVENUES					
Charges for services	\$ 2,668,526	\$ -	\$ 71,954	\$ 2,740,480	\$ 2,732,196
Other operating revenue	<u>7,556</u>	<u>-</u>	<u>-</u>	<u>7,556</u>	<u>7,750</u>
Total operating revenues	<u>2,676,082</u>	<u>-</u>	<u>71,954</u>	<u>2,748,036</u>	<u>2,739,946</u>
OPERATING EXPENSES					
Professional fees	22,830	-	-	22,830	34,651
Engineering fees	3,841	-	83,578	87,419	54,231
Rent	124,700	-	-	124,700	121,068
General operating expenses	471,246	-	-	471,246	440,064
Insurance	120,870	-	-	120,870	142,247
Workmen's compensation	3,871	-	-	3,871	8,243
Depreciation	255,091	-	-	255,091	260,904
Maintenance expense	91,719	114,381	-	206,100	360,589
Treatment expenses	<u>947,546</u>	<u>-</u>	<u>-</u>	<u>947,546</u>	<u>943,932</u>
Total operating expenses	<u>2,041,714</u>	<u>114,381</u>	<u>83,578</u>	<u>2,239,673</u>	<u>2,365,929</u>
OPERATING INCOME (LOSS)	634,368	(114,381)	(11,624)	508,363	374,017
NONOPERATING REVENUES					
Proceeds from sale of capital assets	-	22,500	-	22,500	-
Intergovernmental revenues	-	-	4,500	4,500	-
Contributions	-	-	258,900	258,900	-
Interest income	<u>24,230</u>	<u>63,738</u>	<u>5,464</u>	<u>93,432</u>	<u>2,331</u>
	<u>24,230</u>	<u>86,238</u>	<u>268,864</u>	<u>379,332</u>	<u>2,331</u>
INCOME (LOSS) BEFORE TRANSFERS	658,598	(28,143)	257,240	887,695	376,348
Transfers in	37,282	600,000	-	637,282	600,000
Transfers out	<u>(604,164)</u>	<u>(37,282)</u>	<u>-</u>	<u>(641,446)</u>	<u>(644,307)</u>
CHANGE IN NET POSITION	91,716	534,575	257,240	883,531	332,041
NET POSITION					
Beginning of year	<u>5,612,027</u>	<u>3,155,429</u>	<u>317,618</u>	<u>9,085,074</u>	<u>8,753,033</u>
End of year	<u>\$ 5,703,743</u>	<u>\$ 3,690,004</u>	<u>\$ 574,858</u>	<u>\$ 9,968,605</u>	<u>\$ 9,085,074</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	Sewer	Sewer	Stormwater	Totals	
	Operating Fund	Reserve Fund		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from users	\$ 2,627,948	\$ -	\$ 71,954	\$ 2,699,902	\$ 2,750,629
Other cash receipts	7,556	-	-	7,556	7,750
Payments to and on behalf of employees	(398,659)	-	-	(398,659)	(445,709)
Payments to vendors and others	(1,243,588)	14,782	(335,354)	(1,564,160)	(1,324,825)
Receipts (return) of escrow deposits (net)	1,909	-	-	1,909	(14,730)
Net cash provided by (used for) operating activities	995,166	14,782	(263,400)	746,548	973,115
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers to other funds	(604,164)	(37,282)	-	(641,446)	(644,307)
Operating transfers from other funds	37,282	600,000	-	637,282	600,000
Intergovernmental revenues	-	-	4,500	4,500	-
Contributions	-	-	258,900	258,900	-
Net cash provided by (used for) noncapital financing activities	(566,882)	562,718	263,400	259,236	(44,307)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(37,282)	-	-	(37,282)	(99,631)
Proceeds from sale of capital assets	-	22,500	-	22,500	-
Net cash provided by (used for) capital and related financing activities	(37,282)	22,500	-	(14,782)	(99,631)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	24,230	63,738	5,464	93,432	2,331
Net change in cash and restricted cash	415,232	663,738	5,464	1,084,434	831,508
CASH AND RESTRICTED CASH					
Beginning of year	3,164,343	3,162,615	319,153	6,646,111	5,814,603
End of year	\$ 3,579,575	\$ 3,826,353	\$ 324,617	\$ 7,730,545	\$ 6,646,111
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ 634,368	\$ (114,381)	\$ (11,624)	\$ 508,363	\$ 374,017
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	255,091	-	-	255,091	260,904
(Increase) decrease in					
Sewer fees receivable	(40,578)	-	-	(40,578)	18,433
Assessments receivable	-	-	-	-	-
Due from other funds	5,762	(22,500)	(253,057)	(269,795)	97,749
Prepaid expenses	240	-	-	240	-
Increase (decrease) in					
Accounts payable and accrued expenses	(38,962)	(72,454)	1,281	(110,135)	96,666
Due to other funds	177,336	224,117	-	401,453	140,076
Escrow deposits	1,909	-	-	1,909	(14,730)
Net cash provided by (used for) operating activities	\$ 995,166	\$ 14,782	\$ (263,400)	\$ 746,548	\$ 973,115
RECONCILIATION OF CASH AND RESTRICTED CASH					
Cash and cash equivalents	\$ 3,444,947	\$ 3,826,353	\$ 324,617	\$ 7,595,917	\$ 6,513,392
Cash held in escrow	134,628	-	-	134,628	132,719
Total cash and restricted cash	\$ 3,579,575	\$ 3,826,353	\$ 324,617	\$ 7,730,545	\$ 6,646,111

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2022 with summarized comparative totals for 2021

	<u>Custodial Fund</u>		<u>Trust Funds</u>	
	<u>Escrow Fund</u>		<u>2022</u>	<u>2021</u>
	<u>2022</u>	<u>2021</u>		
ASSETS				
Cash and cash equivalents	\$ 1,931,732	\$ 1,295,157	\$ 1,359,118	\$ 553,032
Investments	-	-	22,799,174	28,938,631
Accrued income	-	-	4,375	7
Total assets	<u>1,931,732</u>	<u>1,295,157</u>	<u>24,162,667</u>	<u>29,491,670</u>
LIABILITIES				
Accounts payable	-	-	-	-
NET POSITION				
Restricted for developers	1,931,732	1,295,157	-	-
Held in trust for pension benefits	-	-	23,209,183	28,367,882
Held in trust for other postemployment benefits	-	-	953,484	1,123,788
Total net position	<u>\$ 1,931,732</u>	<u>\$ 1,295,157</u>	<u>\$ 24,162,667</u>	<u>\$ 29,491,670</u>

LOWER GWYNEDD TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2022 with summarized comparative totals for 2021

	<u>Custodial Fund</u>		<u>Trust Funds</u>	
	<u>Escrow Fund</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
ADDITIONS				
Contributions				
Employer contributions	\$ -	\$ -	\$ 384,831	\$ 660,371
Employee contributions	-	-	110,273	113,734
Developer contributions	<u>876,920</u>	<u>598,305</u>	<u>-</u>	<u>-</u>
Total contributions	<u>876,920</u>	<u>598,305</u>	<u>495,104</u>	<u>774,105</u>
Investment income (loss)				
Net realized and unrealized gain (loss) on investments	-	-	(5,494,451)	3,178,060
Interest and dividends, net of expenses	<u>-</u>	<u>-</u>	<u>605,636</u>	<u>437,693</u>
Total investment income (loss)	<u>-</u>	<u>-</u>	<u>(4,888,815)</u>	<u>3,615,753</u>
Total additions	<u>876,920</u>	<u>598,305</u>	<u>(4,393,711)</u>	<u>4,389,858</u>
DEDUCTIONS				
Return of developer contributions	240,345	294,114	-	-
Benefits paid	<u>-</u>	<u>-</u>	<u>935,292</u>	<u>876,594</u>
Total deductions	<u>240,345</u>	<u>294,114</u>	<u>935,292</u>	<u>876,594</u>
CHANGE IN NET POSITION	636,575	304,191	(5,329,003)	3,513,264
NET POSITION				
Beginning of year	<u>1,295,157</u>	<u>990,966</u>	<u>29,491,670</u>	<u>25,978,406</u>
End of year	<u>\$ 1,931,732</u>	<u>\$ 1,295,157</u>	<u>\$ 24,162,667</u>	<u>\$ 29,491,670</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Gwynedd Township (the "**Township**"), Montgomery County, Pennsylvania, was established in 1891 and operates as a Township of a second class under the Township code of the Commonwealth of Pennsylvania. The Township is governed by an elected five-member Board of Supervisors and provides the following services: general government; public safety - police, fire, ambulance, codes and planning and zoning; public works – sanitation and highways and streets; and culture and recreation and community development.

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the following component units are required to be included in the Township's reporting entity.

Blended Component Units

The Police Pension Plan and Nonuniform Pension Plan are a single employer defined benefit pension plans that provide pension benefits for all regular full-time employees. The Other Post-Employment Benefits Plan is a single employer plan that provides post-retirement medical benefits to regular full-time police officers. Although the Police Pension Plan, the Nonuniform Pension Plan and the Other Post-Employment Benefits Plan are separate legal entities, they are reported as if they are part of the Township as they are governed by a board comprised of members appointed by the Board of Supervisors or by the Board of Supervisors themselves and the Township is responsible for funding the Police Pension Plan, Nonuniform Pension Plan and the Other Post-Employment Benefits Plan. The activities of the Police Pension Plan, Nonuniform Pension Plan and the Other Post-Employment Benefits Plan are blended as fiduciary funds and do not issue separate financial statements.

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The government-wide statement of net position presents the financial position of the Township which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Township is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Township. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays which include the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds. The Township reports the following major Capital Projects Funds:

The Open Space Fund is used to account for financial resources to be used for the acquisition of open space.

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Township reports the following major Special Revenue Funds:

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

The Highway Aid Fund accounts for revenues received from the Municipal Liquid Fuels Program. Expenditures consist of projects to support construction, reconstruction, maintenance and repair of public roads or streets.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Township expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township reports the following major proprietary funds:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The Sewer Operating 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.

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

The Stormwater Fund is used to account for stormwater management activities within the Township that are financed primarily through user charges and developer contributions.

These 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' principal ongoing operations. The principal operating revenues of the Township's proprietary funds are charges for services. Operating expenses for the Township's proprietary funds include the cost of sales and service, administrative and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. The Township has four trust funds, consisting of a Police Pension Fund, Non-Uniformed Employees' Pension Fund, Other Postemployment Benefits and Defined Contribution Fund. Custodial funds held by the Township are used to account for assets held on behalf of individuals and/or other governmental units. The Township has one custodial fund consisting of an developer escrow fund. The Township reports the following fiduciary funds:

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

The Custodial Fund accounts for deposits received and held in escrow from developers and other entities to be used for legal, administrative and other fees.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Township. Unobservable inputs reflect the Township's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Township has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

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

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Township's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Taxes

Property taxes are levied on March 1 and are payable in the following periods:

March 1 – April 30	- Discount period, 2% of gross levy
May 1 – June 30	- Face period
July 1 to collection	- Penalty period, 10% of gross levy
December 31	- Lien date

The Montgomery County Board of Assessments determines assessed valuations of property, and the Township's taxes are billed and collected by an elected tax collector. The tax on real estate for fiscal 2022 was 1.223 mills (\$1.223 for \$1,000 of assessed valuation), consisting of 0.762 mills for general purposes, 0.146 mills for fire protection, 0.285 mills for recreation, and 0.030 mills for fire hydrants. The Township experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the Township for property taxes receivable.

Other taxes levied in 2022 consisted of the following:

Real estate transfer tax	- 0.50% of gross sales price
Earned income tax	- 0.50% for general purposes
Local services tax	- \$52.00 per year for everyone working in the Township
Business privilege tax	- 1% of gross receipts
Mercantile tax	- Based on total retail and wholesale sales

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 5-30 years; infrastructure – 5-40 years; and furniture and equipment – 5-30 years; and sewer system and equipment – 5-25 years.

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

Impairment of Long-Lived Assets

The Township evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Township. No impairment losses were recognized in the year ended December 31, 2022.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources and uses. Notes payable are reported net of the applicable premium or discount. Premiums and discounts are deferred and amortized over the life of the notes. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Township reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Township's highest level of decision-making authority, the Board of Supervisors. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Township Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the Township has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

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 a specific purposes but does not meet the criteria to be classified as restricted or committed. The Township has a fund balance policy target range of 25 to 35 percent of budgeted expenditures. In the event the General Fund unassigned fund balance shall exceed the maximum target range of 35 percent, the Township Manager will present a plan for consideration by the Board of Supervisors to take action to reduce the unassigned fund balance to within the target range.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of Estimates

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

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Implementation of New Accounting Pronouncements

GASB Statement No. 87, "Leases" will be effective for the Township for the year ended December 31, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of GASB Statement No. 87, the Township recognized a lease receivable and corresponding deferred inflow of resources for its lessor leases for the year ended December 31, 2022.

GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32" will be effective for the Township for the year ended December 31, 2022. The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had not impact on the financial statements of the Township.

New Accounting Pronouncements

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" will be effective for the Township for the year ended December 31, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" will be effective for the Township for the year ended December 31, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Township code of the Commonwealth of Pennsylvania requires that an annual budget for all funds be adopted no later than December 31 for the succeeding fiscal year beginning January 1. The Township is required to publish notice by advertisement at least once in one newspaper of general circulation in the Township, and within 20 days of final action, that the budget has been prepared and is available for public inspection at the Township offices. Notice that public hearings will be held on the proposed budget must be included in the advertisement.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

The Township is legally required to maintain budgetary controls at the major function level. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at the level of budgetary control and include the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the Township to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2022, the carrying amount of the Township's deposits was \$27,113,909 and the bank balance was \$27,462,510. Of the bank balance, \$1,249,000 was covered by federal depository insurance and \$5,895,312 was collateralized by the Township's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Township are in the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of December 31, 2022, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2022, the Township's pension and other post-employment benefits trust funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity mutual funds	\$15,603,485
Fixed income mutual funds	6,878,602
Real estate investment trust (" REIT ")	<u>317,087</u>
	<u>\$22,799,174</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Mutual funds were valued using level 1 inputs while REITs were valued using Level 3 inputs.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township's pension trust funds consist of uninsured, unregistered investments held by a counterparty's trust department but not in the Township's name and subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022, the fixed income mutual funds are considered to be exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits its type of investments permitted as defined in the state statutes. The Township has no investments subject to credit risk as of December 31, 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of December 31, 2022, the Township had no investments subject to concentration of credit risk.

(4) CAPITAL ASSETS

The Township's capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,813,666	\$ -	\$ -	\$ 11,813,666
Infrastructure	13,287,675	-	-	13,287,675
Construction-in-progress	<u>1,725,837</u>	<u>101,887</u>	<u>1,344,645</u>	<u>483,079</u>
Total capital assets not being depreciated	<u>26,827,178</u>	<u>101,887</u>	<u>1,344,645</u>	<u>25,584,420</u>
Capital assets being depreciated				
Infrastructure	8,957,658	66,743	-	9,024,401
Buildings and building improvements	9,931,875	139,898	-	10,071,773
Furniture and equipment	<u>3,450,207</u>	<u>75,958</u>	<u>85,404</u>	<u>3,440,761</u>
Total capital assets being depreciated	<u>22,339,740</u>	<u>282,599</u>	<u>85,404</u>	<u>22,536,935</u>
Less accumulated depreciation for				
Infrastructure	(4,901,381)	(299,682)	-	(5,201,063)
Buildings and building improvements	(6,803,302)	(227,646)	-	(7,030,948)
Furniture and equipment	<u>(2,452,717)</u>	<u>(202,233)</u>	<u>(85,404)</u>	<u>(2,569,546)</u>
Total accumulated depreciation	<u>(14,157,400)</u>	<u>(729,561)</u>	<u>(85,404)</u>	<u>(14,801,557)</u>
Total capital assets being depreciated, net	<u>8,182,340</u>	<u>(446,962)</u>	<u>-</u>	<u>7,735,378</u>
Governmental activities, net	<u>\$ 35,009,518</u>	<u>\$(345,075)</u>	<u>\$1,344,645</u>	<u>\$ 33,319,798</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Business-type activities

Capital assets not being depreciated				
Construction-in-progress	\$ -	\$ 5,379	\$ -	\$ 5,379
Capital assets being depreciated				
Sewer system and equipment	21,924,295	31,903	68,400	21,887,798
Less accumulated depreciation	<u>(19,094,833)</u>	<u>(255,091)</u>	<u>(68,400)</u>	<u>(19,281,524)</u>
Total capital assets being depreciated, net	<u>2,829,462</u>	<u>(223,188)</u>	<u>-</u>	<u>2,606,274</u>
Business-type activities, net	<u>\$ 2,829,462</u>	<u>\$ (217,809)</u>	<u>\$ -</u>	<u>\$ 2,611,653</u>

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental activities

General government	\$140,656
Public safety	429,498
Public works	103,251
Culture and recreation	<u>56,156</u>

Total depreciation expense - governmental activities

\$729,561

Business-type activities

Sewer	<u>\$255,091</u>
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In March, 2023, the Township awarded a construction contract for Phase II of the Spring House intersection improvement project in the amount of \$2,456,568.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 209,293	Recreation Fund	\$ 209,293
General Fund	142,429	Fire Protection Fund	142,429
General Fund	1,770	Fire Hydrant Fund	1,770
General Fund	1,011,502	Capital Reserve Fund	1,011,502
General Fund	368,934	Sewer Fund	368,934
General Fund	224,117	Sewer Reserve Fund	224,117
General Fund	15,890	Open Space Fund	15,890
Street Lighting Fund	2,622	General Fund	2,622
Debt Service Fund	332	General Fund	332
Traffic Impact Fund	127,007	General Fund	127,007
Stormwater Fund	253,057	General Fund	253,057
Sewer Reserve Fund	22,500	Capital Reserve Fund	22,500
Sewer Reserve Fund	<u>99,631</u>	Sewer Fund	<u>99,631</u>
	<u>\$2,479,084</u>		<u>\$2,479,084</u>

Interfund balances between funds represent temporary loans recorded to final allocations of costs. The balances are generally repaid shortly after year-end.

A summary of interfund transfers for the year ended December 31, 2022 is as follows:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 4,164	Sewer Fund	\$ 4,164
Fire Protection Fund	165,000	General Fund	165,000
Open Space Fund	700,000	General Fund	700,000
Capital Reserve Fund	725,000	General Fund	725,000
Traffic Impact Fund	900,000	General Fund	900,000
Sewer Fund	37,282	Sewer Reserve Fund	37,282
Sewer Reserve Fund	<u>600,000</u>	Sewer Fund	<u>600,000</u>
	<u>\$3,131,446</u>		<u>\$3,131,446</u>

Interfund transfers primarily represent budgeted appropriations from the General Fund and Sewer Fund to subsidize capital projects and activities within other funds.

(6) LEASE RECEIVABLE

The Township entered into a long-term lease agreement as lessor or property. An initial lease receivable was recorded in the amount of \$703,075. As of December 31, 2022, the value of the lease receivable and deferred inflows of resources was \$197,284. The term of the lease was 5 years as of the contract commencement. Future minimum lease payments under this lease is as follows:

<u>Year ending December 31,</u>	
2023	\$147,601
2024	<u>49,683</u>
Total minimum lease payments	<u>\$197,284</u>

(7) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2022</u>	<u>Amount Due Within One Year</u>
Police net OPEB liability	\$ 212,594	\$ 279,933	\$ -	\$ 492,527	\$ -
Police net pension liability (asset)	(2,126,755)	4,760,819	-	2,634,064	-
Nonuniform net pension liability(asset)	<u>(1,402,999)</u>	<u>1,750,707</u>	<u>-</u>	<u>347,708</u>	<u>-</u>
Total noncurrent liabilities	<u>\$(3,317,160)</u>	<u>\$6,791,459</u>	<u>\$ -</u>	<u>\$3,474,299</u>	<u>\$ -</u>

(8) POST EMPLOYMENT RETIREMENT PLAN

The Lower Gwynedd Township Police Post-Employment Benefits Plan ("**OPEB Plan**") is a contributory, single-employer postretirement benefits plan that covers all full-time uniformed police officers of the Township. The OPEB Plan provides postretirement medical benefits upon retirement or disability to plan members and their beneficiaries, pursuant to Township ordinances and the collective bargaining agreement between the Township and the police officers. The OPEB Plan can be amended by the Township through its ordinances and union contracts. The OPEB Plan is administered by a plan administrator appointed by the Board of Supervisors of the Township.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Plan Membership

Membership in the OPEB Plan consisted of the following at January 1, 2021

Active employees	16
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>22</u>

Funding Policy

The Township's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the Board of Supervisors.

Other Post-Employment Benefits Trust

Basis of Accounting

The OPEB Plan's financial statements are prepared using the accrual basis of accounting. OPEB plan member contributions by retired officers toward their postretirement benefits reduce the employer cost and the resulting liability. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the OPEB plan.

Annual OPEB Cost

The annual OPEB cost was determined as part of the January 1, 2022 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 2.50% inflation and 5.50% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

Discount Rate

The discount rate used to measure the total OPEB liability is 7.00% based upon the expected rate of return, net of expected investment expenses. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township's funding policy is to fund the rate subsidies through the General Fund and pay only the actual premiums for retired members from the OPEB trust.

Rate of Return

The long-term expected rate of return on OPEB Plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on OPEB Plan investments, net of investment expenses, was -17.20%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	42.0%	
International Equity	23.0%	
Fixed Income	<u>35.0%</u>	
	<u>100.00%</u>	<u>6.90%</u>

Net OPEB Liability

The Township's net OPEB liability has been measured as of December 31, 2022. The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$492,527 measured as the difference between the total OPEB liability of \$1,446,011 and the fiduciary net position of \$953,484.

The Township's change in total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the year ended December 31, 2022 were as follows:

	<u>Total OPEB Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability (A) – (B)</u>
Balances as of December 31, 2021	<u>\$1,336,382</u>	<u>\$1,123,788</u>	<u>\$212,594</u>
Changes for the year:			
Service cost	25,977	-	25,977
Interest on total OPEB liability	94,091	-	94,091
Changes in actuarial assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer contributions	-	25,000	(25,000)
Net investment income	-	(184,865)	184,865
Benefit payments	<u>(10,439)</u>	<u>(10,439)</u>	<u>-</u>
Net changes	<u>109,629</u>	<u>(170,304)</u>	<u>279,933</u>
Balances as of December 31, 2022	<u>\$1,446,011</u>	<u>\$ 953,484</u>	<u>\$492,527</u>

Sensitivity of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the net OPEB liability for December 31, 2022, calculated using current healthcare cost trends as well as what the net OPEB liability would be if healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$358,583</u>	<u>\$492,527</u>	<u>\$644,357</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the Township calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net OPEB liability	<u>\$600,937</u>	<u>\$492,527</u>	<u>\$393,218</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the Township recognized OPEB expense of \$59,843. At December 31, 2022, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 77,861	\$20,714
Changes in assumptions	-	64,258
Net difference between projected and actual earnings on OPEB plan investments	<u>122,809</u>	<u>-</u>
	<u>\$200,670</u>	<u>\$84,972</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,

2023	\$ 4,988
2024	20,777
2025	35,147
2026	50,219
2027	3,323
Thereafter	<u>1,244</u>
	<u>\$115,698</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 2.50%
- Salary increases – 5.50% per year
- Mortality rates – Pub-2010 mortality table for safety employees, projected using scale MP-2020

(9) EMPLOYEE RETIREMENT PLANS

Police Pension Fund

The Lower Gwynedd Township Police Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Police Pension Plan**") that covers all full-time uniformed police officers of the Township. The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Management of the plan is vested in Investment Advisory Committee, which consists up to eleven member-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 police officer. The Investment Advisory Committee is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors of the Township as of the administrative, operation and investment of the plan.

Plan Membership

Membership in the Police Pension Plan consisted of the following at December 31, 2022:

Active employees	21
Retirees and beneficiaries currently receiving benefits (including DROP members)	14
Terminated plan members entitled to but not yet receiving benefits	-
Total	<u>35</u>

Benefit Provisions

The Police Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Police Pension Plan.

Members are eligible for normal retirement after attainment of age 50 (age 55 for any employee hired on or after January 1, 2013) and 25 years of service and early retirement after 20 years of service. Normal retirement benefits are calculated as 50% of average compensation during the final 36 months of employment plus a service increment of \$400 per month for each completed year of benefit service in excess of 25 years, up to a maximum increment of three years of \$1,200 per year. This benefit will be reduced for early commencement. If a member leaves the employment of the Township or ceases to be a member for any reason, they will be vested in their benefit after 12 years of full-time service and their vested benefit would be equal to 50% of monthly average compensation multiplied by years of service at termination divided by the service they would have had if they worked until normal retirement.

If a member is totally and permanently disabled in the line of duty, they are eligible for disability payments equal to 50% of their salary at the time of disability.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse or eligible dependent child, equal to 50% of the normal monthly retirement benefit.

Basis of Accounting

The Police Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

Method Used to Value Investments

Investments in the Police Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Police Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Police Pension Plan's biennial actuarial valuation. Members in the Police Pension Plan are required to contribute 5.00% of total compensation. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 5.50% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Police Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was -16.93%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	42.0%	
International Equity	23.0%	
Fixed Income	33.0%	
Cash	<u>2.0%</u>	
	<u>100.00%</u>	<u>6.90%</u>

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability was a liability of \$2,634,064 measured as the difference between the total pension liability of \$19,540,145 and the fiduciary net position of \$16,906,081.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2022 were as follows:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2021	\$18,386,714	\$20,513,469	\$(2,126,755)
Changes for the year:			
Service cost	486,546	-	486,546
Interest on total pension liability	1,266,098	-	1,266,098
Changes in Actuarial Assumptions	-	-	-
Employer contributions	-	288,801	(288,801)
Member contributions	-	110,273	(110,273)
Net investment income	-	(3,407,249)	3,407,249
Benefit payments	(599,213)	(599,213)	-
Difference between expected and actual experience	-	-	-
Net changes	<u>1,153,431</u>	<u>(3,607,388)</u>	<u>4,760,819</u>
Balances as of December 31, 2022	<u>\$19,540,145</u>	<u>\$16,906,081</u>	<u>\$ 2,634,064</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township calculated using the discount rate 7.00%, as well as what the net pension liability (asset) would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability (asset)	\$5,068,759	\$2,634,064	\$618,835

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension

For the year ended December 31, 2022, the Township recognized pension expense of \$842,292. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 20,085	\$ -
Changes in assumptions	5,941	-
Net difference between projected and actual earnings on pension plan investments	<u>2,247,081</u>	<u>-</u>
	<u>\$2,273,107</u>	<u>\$ -</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,

2023	\$ 135,989
2024	451,993
2025	718,273
2026	<u>966,852</u>
	<u>\$2,273,107</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 no 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. The DROP balance at December 31, 2022 was \$174,413.

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 3.00%
- Salary increases – 5.50% per year
- Mortality rates – Pub-2010 safety amount-weighted mortality table, projected using scale MP-2021

Nonuniform Pension Fund

The Lower Gwynedd Township Nonuniform Pension Fund accounts for a contributory, single-employer defined benefit pension plan (the "**Nonuniform Pension Plan**") that covers all full-time non-uniformed employees of the Township.

Management of the plan is vested in Investment Advisory Committee, which consists up to eleven member-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 police officer. The Investment Advisory Committee is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors of the Township as of the administrative, operation and investment of the plan.

Plan Membership

Membership in the Nonuniform Pension Plan consisted of the following at December 31, 2022:

Active employees	8
Retirees and beneficiaries currently receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	<u>8</u>
Total	<u>31</u>

Benefit Provisions

The Nonuniform Pension Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the Police Pension Plan.

Members are eligible for normal retirement after attainment of age 65 and age 60 for early retirement. Normal retirement benefits are calculated as 50% of average compensation during the final 36 months of employment reduced for service less than 25 years. Members will be vested in their benefit after 10 years of full-time service. This benefit will be reduced for early commencement. If a member leaves the employment of the Township or ceases to be a member for any reason, the benefit will be reduced by ½ of 1% for each month that the early retirement death precedes the normal retirement date.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to their surviving spouse or eligible dependent child, equal to 50% of the normal monthly retirement benefit.

Basis of Accounting

The Nonuniform Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period when due and benefits and refunds are recognized when due and payable.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Method Used to Value Investments

Investments in the Nonuniform Pension Plan are reported at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Annual contributions to the Nonuniform Pension Plan are based upon the minimum municipal obligation (the "MMO"). The MMO is derived from the Nonuniform Pension Plan's biennial actuarial valuation. Members in the Nonuniform Pension Plan are not required to make contributions to the Nonuniform Pension Plan. This contribution is established by the Plan's governing ordinance. The Commonwealth of Pennsylvania provides an allocation of funds, which must be used, for pension funding. Any financial requirement established by the MMO which exceeds the state and employee contribution must be funded by the Township.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings.

Annual Pension Cost

The annual required contribution was determined as part of the January 1, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.00% percent investment rate of return (net of administrative costs) and (b) 3.00% inflation and 5.00% salary increases. The unfunded actuarial accrued liability is being amortized on the level dollar closed basis.

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The Nonuniform Pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost, plus plan expenses, as well as an amortization of the unfunded liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses not funded through the MMO was -17.08%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

A schedule of plan investments by asset class, target allocations, and long-term expected rate of return is as follows:

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	42.0%	
International Equity	23.0%	
Fixed Income	33.0%	
Cash	2.0%	
	<u>100.00%</u>	<u>6.90%</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Net Pension Liability (Asset)

The Township's net pension liability (asset) has been measured as of December 31, 2022. The total pension liability was determined by an actuarial valuation as of January 1, 2021, and by rolling forward the liabilities from the January 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net pension liability was a liability of \$347,708 measured as the difference between the total pension liability of \$6,409,450 and the fiduciary net position of \$6,061,742.

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2022 were as follows:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (Asset) (A) – (B)</u>
Balances as of December 31, 2021	\$6,201,732	\$ 7,604,731	\$(1,402,999)
Changes for the year:			
Service cost	110,634	-	110,634
Interest on total pension liability	422,724	-	422,724
Changes in actuarial assumptions	-	-	-
Employer contributions	-	33,755	(33,755)
Member contributions	-	-	-
Net investment income	-	(1,251,104)	1,251,104
Benefit payments	(325,640)	(325,640)	-
Differences between expected and actual experience	-	-	-
Net changes	<u>207,718</u>	<u>(1,542,989)</u>	<u>1,750,707</u>
Balances as of December 31, 2022	<u>\$6,409,450</u>	<u>\$ 6,061,742</u>	<u>\$ 347,708</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Township calculated using the discount rate 7.00%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net pension liability (asset)	\$1,084,202	\$347,708	\$(278,479)

Pension Expense and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2022, the Township recognized pension expense of \$194,118. At December 31, 2022, the Township reported deferred inflows of resources related to pensions from the following sources:

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$12,793
Changes in assumptions	1,115	-
Net difference between projected and actual earnings on pension plan investments	<u>808,160</u>	<u>-</u>
	<u>\$809,275</u>	<u>\$12,793</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,

2023	\$ 18,082
2024	161,479
2025	262,392
2026	<u>354,529</u>
	<u>\$796,482</u>

Actuarial Methods and Significant Assumptions

- Investment return – 7.00% (including inflation)
- Discount rate – 7.00%
- Inflation – 3.00%
- Salary increases – 5.00% per year
- Mortality rates – Pub-2010 mortality table for general employees, projected using scale MP-2021

(10) NONUNIFORM DEFINED CONTRIBUTION PLAN

The Township sponsors a defined contribution pension plan (the "**Defined Contribution Plan**"). The Defined Contribution Plan covers all full-time employees of the Township, except for police officers. The assets of the Defined Contribution Plan, totaled \$241,361 as of December 31, 2022, are invested separately, and the Defined Contribution Plan's assets may be used only for the payment of benefits to the members of the Defined Contribution Plan. Investments are managed by the Defined Contribution Plan's administrator under several different investment options, or combinations thereof.

Eligibility

Full-time non-uniformed employees are eligible to join the Defined Contribution Plan after 6 months of employment.

Contributions

The Township contributes 4.00% of compensation after 5 months, 6.00% after 3 years, 8.00% after six years and 10% after 10 years. Employees are not required to contribute to the Non-Uniform Pension Plan. The Township's contributions totaled \$37,275 for 2022.

Death Benefits

If a member dies while an active member of the Defined Contribution Plan, his account will be 100% vested and payable to the member's spouse or designated beneficiary or beneficiaries.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Vesting

If a member in the Defined Contribution Plan terminates other than by retirement, disability or death, the percentage of his employer contribution account to which he will be entitled depends upon the number of years of credited service. Employees are fully vested after 10 years of continuous service.

Forfeiture

When a member terminates before becoming 100% vested, the portion of his account to which he is not entitled is used to reduce future Township contributions to the Defined Contribution Plan. There was \$4,999 in forfeitures for the year ended December 31, 2022.

(11) DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to those employees who meet the eligibility requirements set forth in the deferred compensation plan, permits employees to defer a portion of their salary until future years. Assets of the deferred compensation plan totaled \$3,513,936 as of December 31, 2022 are not available to employees until termination, retirement, death, disability or unforeseeable emergency. All amounts of compensation deferred under the deferred compensation plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Township has no liability for losses under the plan. Investments are managed by the plan's administrator under several different investment options or combinations thereof. The choice of the investment option(s) is made by the participants. The Township has no management control over the assets of the deferred compensation plan. Accordingly, the assets of the deferred compensation plan are not included in these financial statements.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Township receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

Litigation

The Township is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(13) RISK MANAGEMENT

Health Insurance

The Township participates in a healthcare trust with other governmental entities from Pennsylvania and Delaware. The healthcare trust is a public entity risk pool is designed to provide healthcare coverage for eligible employees, spouses and dependents. The Trust was established for the sole and exclusive benefit of the employees of the member governmental entities. While the healthcare trust is self-funded, each member governmental entity receives a fully-insured equivalent rate which is guaranteed for twelve months and represents a total risk transfer to the healthcare trust. The Township is not responsible for any additional assessments upon termination. The healthcare trust assumes the risk for all claims including large claims and purchases commercial reinsurance for claims over \$1 million.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Property and Liability

The Township, with other governmental entities from Pennsylvania and Delaware, participate in a property and liability trust, which is a public entity risk pool currently operating as a common risk management and insurance program. The Township and the other participating members pay an annual premium to the property and liability trust for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the property and liability trust's insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the property and liability trust, that the property and liability trust will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the property and liability trust against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance. As of December 31, 2022, the Township is not aware of any additional assessments relating to the property and liability trust.

Workers' Compensation

The Township and other Pennsylvania municipalities participate in a workers' compensation trust, which is a cooperative voluntary arrangement. The Township and the other participating members pay an annual premium to the workers' compensation trust for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the workers' compensation trust that the workers' compensation trust will utilize funds contributed by the participating members, which shall be held in trust, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of December 31, 2022, the Township is not aware of any additional assessments relating to the workers' compensation trust.

Other Risks

The Township is exposed to other risks of loss, including errors and omissions. The Township has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(14) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 87 "Leases" the Township made a prior period adjustment to record net position for a lease receivable and deferred inflows of resources.

This prior period adjustment and its effect on net position at July 1, 2021 was an increase in lease receivable and deferred inflows of resources of \$340,586.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2023, the date on which the financial statements were available to be issued. Except as noted in Note 4, no material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
Real estate taxes	\$ 1,052,465	\$ 1,052,465	\$ 1,070,093	\$ 17,628
Real estate transfer taxes	750,000	750,000	1,040,671	290,671
Earned income taxes	5,500,000	5,500,000	5,782,888	282,888
Mercantile taxes	222,000	222,000	442,447	220,447
Local services taxes	370,000	370,000	442,210	72,210
Business privilege tax	<u>283,500</u>	<u>283,500</u>	<u>428,585</u>	<u>145,085</u>
Total taxes	8,177,965	8,177,965	9,206,894	1,028,929
Licenses and permits	310,650	310,650	322,247	11,597
Fines and forfeits	12,000	12,000	9,406	(2,594)
Interest, rents and royalties	275,353	275,353	343,863	68,510
Intergovernmental revenues	413,455	413,455	467,068	53,613
Charges for services	652,856	652,856	747,861	95,005
Contributions	38,250	38,250	25,097	(13,153)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,238</u>	<u>1,238</u>
Total revenues	<u>9,881,529</u>	<u>9,881,529</u>	<u>11,124,674</u>	<u>1,243,145</u>
EXPENDITURES				
Current				
General government	1,510,191	1,510,191	1,649,320	(139,129)
Public safety	4,916,495	4,916,495	4,835,672	80,823
Public works				
Sanitation	8,000	8,000	5,700	2,300
Highways and streets	1,006,741	1,006,741	743,921	262,820
Culture and recreation	35,000	35,000	17,469	17,531
Insurance	57,334	57,334	45,204	12,130
Employee benefits	<u>53,469</u>	<u>53,469</u>	<u>13,161</u>	<u>40,308</u>
Total expenditures	<u>7,587,230</u>	<u>7,587,230</u>	<u>7,310,447</u>	<u>276,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,294,299</u>	<u>2,294,299</u>	<u>3,814,227</u>	<u>1,519,928</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	7,649	7,649
Refund of prior year expenditures	(2,000)	(2,000)	-	2,000
Transfers in	4,164	4,164	4,164	-
Transfers out	<u>(2,531,655)</u>	<u>(2,531,655)</u>	<u>(2,490,000)</u>	<u>41,655</u>
Total other financing sources (uses)	<u>(2,529,491)</u>	<u>(2,529,491)</u>	<u>(2,478,187)</u>	<u>51,304</u>
NET CHANGE IN FUND BALANCE	<u>\$ (235,192)</u>	<u>\$ (235,192)</u>	1,336,040	<u>\$ 1,571,232</u>
FUND BALANCE				
Beginning of year			<u>6,346,370</u>	
End of year			<u>\$ 7,682,410</u>	

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - TRAFFIC IMPACT FUND

Year ended December 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and rents	\$ 1,500	\$ 1,500	\$ 24,006	\$ 22,506
Intergovernmental revenues	1,667,400	1,667,400	(2,418)	(1,669,818)
Charges for services	68,550	68,550	221,645	153,095
Total revenues	<u>1,737,450</u>	<u>1,737,450</u>	<u>243,233</u>	<u>(1,494,217)</u>
EXPENDITURES				
General government	102,000	102,000	-	102,000
Public works - highways and streets	1,763,400	1,763,400	64,919	1,698,481
Total expenditures	<u>1,865,400</u>	<u>1,865,400</u>	<u>64,919</u>	<u>1,800,481</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(127,950)</u>	<u>(127,950)</u>	<u>178,314</u>	<u>306,264</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	900,000	900,000	900,000	-
NET CHANGE IN FUND BALANCE	<u>\$ 772,050</u>	<u>\$ 772,050</u>	1,078,314	<u>\$ 306,264</u>
FUND BALANCE				
Beginning of year			612,953	
End of year			<u>\$ 1,691,267</u>	

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND

Year ended December 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest and rents	\$ 1,000	\$ 1,000	\$ 10,498	\$ 9,498
Intergovernmental revenues	<u>345,301</u>	<u>345,301</u>	<u>359,979</u>	<u>14,678</u>
Total revenues	<u>346,301</u>	<u>346,301</u>	<u>370,477</u>	<u>24,176</u>
EXPENDITURES				
Public works - highways and streets	<u>478,591</u>	<u>478,591</u>	<u>451,491</u>	<u>27,100</u>
NET CHANGE IN FUND BALANCE	<u>\$ (132,290)</u>	<u>\$ (132,290)</u>	<u>(81,014)</u>	<u>\$ 51,276</u>
FUND BALANCE				
Beginning of year			<u>352,139</u>	
End of year			<u>\$ 271,125</u>	

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31,

	2022		2021		2020		2019	
	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
TOTAL PENSION LIABILITY								
Service cost	\$ 486,546	\$ 110,634	\$ 461,181	\$ 105,365	\$ 499,396	\$ 115,034	\$ 425,522	\$ 98,099
Interest on total pension liability	1,266,098	422,724	1,193,013	406,828	1,054,415	374,928	1,059,256	383,255
Changes of assumptions	-	-	18,861	10,047	923,072	293,367	109,015	175,118
Differences between expected and actual experience	-	-	63,749	(115,151)	24,845	14,750	(720,111)	(31,323)
Benefit payments, excluding DROP payments	(599,213)	(325,640)	(621,054)	(244,580)	(587,666)	(229,932)	(502,568)	(240,690)
Net change in total pension liability	1,153,431	207,718	1,115,750	162,509	1,914,062	568,147	371,114	384,459
Total pension liability, beginning	18,386,714	6,201,731	17,270,964	6,039,222	15,356,902	5,471,075	14,985,788	5,086,616
Total pension liability, ending	\$ 19,540,145	\$ 6,409,449	\$ 18,386,714	\$ 6,201,731	\$ 17,270,964	\$ 6,039,222	\$ 15,356,902	\$ 5,471,075
PLAN FIDUCIARY NET POSITION								
Employer contributions	\$ 288,801	\$ 33,755	\$ 420,930	\$ 177,229	\$ 511,213	\$ 202,993	\$ 1,106,711	\$ 237,625
Employee contributions	110,273	-	113,734	-	113,893	-	121,645	-
Net investment income (loss)	(3,407,249)	(1,251,104)	2,507,227	930,606	2,415,476	911,706	2,656,624	1,021,166
Benefit payments, excluding DROP benefits	(599,213)	(325,640)	(621,054)	(244,580)	(587,666)	(229,932)	(502,568)	(240,690)
Net change in plan fiduciary net position	(3,607,388)	(1,542,989)	2,420,837	863,255	2,452,916	884,767	3,382,412	1,018,101
Fiduciary net position, beginning	20,513,469	7,604,730	18,092,632	6,741,475	15,639,716	5,856,708	12,257,304	4,838,607
Fiduciary net position, ending	\$ 16,906,081	\$ 6,061,741	\$ 20,513,469	\$ 7,604,730	\$ 18,092,632	\$ 6,741,475	\$ 15,639,716	\$ 5,856,708
Net pension liability (asset), ending	\$ 2,634,064	\$ 347,708	\$ (2,126,755)	\$ (1,402,999)	\$ (821,668)	\$ (702,253)	\$ (282,814)	\$ (385,633)
Fiduciary net position as a % of total pension liability	86.52%	94.58%	111.57%	122.62%	104.76%	111.63%	101.84%	107.05%
Internal money-weighted rate of return	-16.93%	-17.08%	13.94%	13.91%	15.55%	15.68%	21.09%	21.10%
Covered payroll	\$ 2,533,917	\$ 808,886	\$ 2,279,371	\$ 911,540	\$ 2,184,338	\$ 928,617	\$ 2,449,851	\$ 977,952
Net pension liability (asset) as a % of covered payroll	103.95%	42.99%	-93.30%	-153.92%	-37.62%	-75.62%	-11.54%	-39.43%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

2018		2017		2016		2015		2014	
Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund	Police Pension Fund	Nonuniform Pension Fund
\$ 414,155	\$ 101,256	\$ 392,563	\$ 96,435	\$ 350,814	\$ 145,646	\$ 331,689	\$ 145,184	\$ 314,398	\$ 138,271
1,034,221	355,733	969,430	338,964	924,958	324,467	874,124	296,908	826,356	273,329
-	-	-	-	-	-	-	-	-	-
-	-	(171,384)	(89,588)	-	-	(14,569)	66,752	-	-
<u>(497,964)</u>	<u>(224,829)</u>	<u>(509,059)</u>	<u>(202,217)</u>	<u>(510,965)</u>	<u>(171,621)</u>	<u>(514,424)</u>	<u>(110,499)</u>	<u>(493,278)</u>	<u>(83,931)</u>
950,412	232,160	681,550	143,594	764,807	298,492	676,820	398,345	647,476	327,669
<u>14,035,376</u>	<u>4,854,456</u>	<u>13,353,826</u>	<u>4,710,862</u>	<u>12,589,019</u>	<u>4,412,370</u>	<u>11,912,199</u>	<u>4,014,025</u>	<u>11,264,723</u>	<u>3,686,356</u>
<u>\$ 14,985,788</u>	<u>\$ 5,086,616</u>	<u>\$ 14,035,376</u>	<u>\$ 4,854,456</u>	<u>\$ 13,353,826</u>	<u>\$ 4,710,862</u>	<u>\$ 12,589,019</u>	<u>\$ 4,412,370</u>	<u>\$ 11,912,199</u>	<u>\$ 4,014,025</u>
\$ 769,672	\$ 178,934	\$ 806,378	\$ 177,765	\$ 764,786	\$ 207,493	\$ 761,497	\$ 260,654	\$ 786,937	\$ 307,060
108,160	-	104,613	-	99,622	-	92,219	-	83,418	-
(686,023)	(257,996)	1,912,527	797,736	716,596	308,276	4,056	3,298	462,698	198,111
<u>(497,964)</u>	<u>(224,829)</u>	<u>(509,059)</u>	<u>(202,217)</u>	<u>(510,965)</u>	<u>(171,621)</u>	<u>(514,424)</u>	<u>(110,499)</u>	<u>(705,817)</u>	<u>(83,931)</u>
(306,155)	(303,891)	2,314,459	773,284	1,070,039	344,148	343,348	153,453	627,236	421,240
<u>12,563,459</u>	<u>5,142,498</u>	<u>10,249,000</u>	<u>4,369,214</u>	<u>9,178,961</u>	<u>4,025,066</u>	<u>8,835,613</u>	<u>3,871,613</u>	<u>8,208,377</u>	<u>3,450,373</u>
<u>\$ 12,257,304</u>	<u>\$ 4,838,607</u>	<u>\$ 12,563,459</u>	<u>\$ 5,142,498</u>	<u>\$ 10,249,000</u>	<u>\$ 4,369,214</u>	<u>\$ 9,178,961</u>	<u>\$ 4,025,066</u>	<u>\$ 8,835,613</u>	<u>\$ 3,871,613</u>
<u>\$ 2,728,484</u>	<u>\$ 248,009</u>	<u>\$ 1,471,917</u>	<u>\$ (288,042)</u>	<u>\$ 3,104,826</u>	<u>\$ 341,648</u>	<u>\$ 3,410,058</u>	<u>\$ 387,304</u>	<u>\$ 3,076,586</u>	<u>\$ 142,412</u>
81.79%	95.12%	89.51%	105.93%	76.75%	92.75%	72.91%	91.22%	74.17%	96.45%
-5.40%	-5.05%	18.31%	18.27%	7.55%	7.54%	0.04%	0.08%	5.58%	5.58%
\$ 2,170,474	\$ 978,917	\$ 2,089,024	\$ 958,383	\$ 2,008,538	\$ 1,004,002	\$ 1,844,364	\$ 1,395,263	\$ 1,668,327	\$ 1,389,910
125.71%	25.34%	70.46%	-30.05%	154.58%	34.03%	184.89%	27.76%	184.41%	10.25%

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Year ended December 31,

Police Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 563,368	\$ 786,937	\$(223,569)	\$ 1,668,327	47.17%
2015	711,497	761,497	(50,000)	1,844,364	41.29%
2016	764,786	764,786	-	2,008,538	38.08%
2017	787,378	806,378	(19,000)	2,089,024	38.60%
2018	741,647	769,672	(28,025)	2,170,474	35.46%
2019	561,743	1,106,711	(544,968)	2,449,851	45.17%
2020	477,270	511,213	(33,943)	2,184,338	23.40%
2021	420,930	420,930	-	2,279,371	18.47%
2022	243,202	288,801	(45,599)	2,533,917	11.40%

Nonuniform Pension Fund

<u>Fiscal Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2014	\$ 186,797	\$ 307,060	\$(120,263)	\$ 1,389,910	22.09%
2015	210,654	260,654	(50,000)	1,395,263	18.68%
2016	207,493	207,493	-	1,004,002	20.67%
2017	173,265	177,765	(4,500)	958,383	18.55%
2018	163,365	178,934	(15,569)	978,917	18.28%
2019	170,137	237,625	(67,488)	977,952	24.30%
2020	186,052	202,993	(16,941)	928,617	21.86%
2021	177,229	177,229	-	911,540	19.44%
2022	16,655	33,755	(17,100)	808,886	4.17%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Year ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 25,977	\$ 26,218	\$ 25,599	\$ 23,846	\$ 28,734
Interest on total OPEB liability	94,091	92,215	86,596	69,397	77,831
Changes in actuarial assumptions	-	(80,826)	(1,963)	(93,945)	-
Differences between expected and actual experience	-	106,969	-	(41,794)	-
Benefit payments	<u>(10,439)</u>	<u>(10,960)</u>	<u>(7,137)</u>	<u>(10,490)</u>	<u>(11,427)</u>
Net change in total OPEB liability	109,629	133,616	103,095	(52,986)	95,138
Total OPEB liability, beginning	<u>1,336,382</u>	<u>1,202,766</u>	<u>1,099,671</u>	<u>1,152,657</u>	<u>1,057,519</u>
Total OPEB liability, ending	<u>\$ 1,446,011</u>	<u>\$ 1,336,382</u>	<u>\$ 1,202,766</u>	<u>\$ 1,099,671</u>	<u>\$ 1,152,657</u>
PLAN FIDUCIARY NET POSITION					
Net investment income	\$ (184,865)	\$ 141,429	\$ 135,452	\$ 121,732	\$ (32,950)
Employer contributions	25,000	25,000	25,000	225,000	25,000
Benefit payments	<u>(10,439)</u>	<u>(10,960)</u>	<u>(7,137)</u>	<u>(10,490)</u>	<u>(11,427)</u>
Net change in plan fiduciary net position	(170,304)	155,469	153,315	336,242	(19,377)
Fiduciary net position, beginning	<u>1,123,788</u>	<u>968,319</u>	<u>815,004</u>	<u>478,762</u>	<u>498,139</u>
Fiduciary net position, ending	<u>\$ 953,484</u>	<u>\$ 1,123,788</u>	<u>\$ 968,319</u>	<u>\$ 815,004</u>	<u>\$ 478,762</u>
Net OPEB liability, ending	<u>\$ 492,527</u>	<u>\$ 212,594</u>	<u>\$ 234,447</u>	<u>\$ 284,667</u>	<u>\$ 673,895</u>
Fiduciary net position as a % of total pension liability	65.94%	84.09%	80.51%	74.11%	41.54%
Covered payroll	\$ 2,442,710	\$ 2,279,371	\$ 2,470,594	\$ 2,449,851	\$ 2,170,474
Net OPEB liability as a % of covered payroll	20.16%	9.33%	9.49%	11.62%	31.05%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LOWER GWYNEDD TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

December 31, 2022

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and roads, and the Township Road Master uses an internal system based on the PASER Pavement Evaluation Program. The Road Master evaluates individual streets and roads based on a numbering system of one through ten, where a rating of ten represents a new or revitalized condition, and a rating of one represents a worn/exhausted condition. These condition ratings also reflect the life expectancy before milling and overlay work is needed. The assessment of condition is made by visual test designed to reveal any condition that would reduce highway-user benefits below the required level of service. The Township's policy is to maintain the street condition at a level of five or better. The following reports the average condition as of December 31, 2022 and for the preceding two periods:

<u>Year</u>	<u>Average Condition</u>
2020	6.976
2021	7.174
2022	7.174

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

<u>Year</u>	<u>Budget</u>	<u>Actual</u>
2018	566,255	572,910
2019	479,615	366,794
2020	624,594	607,990
2021	350,880	390,067
2022	457,591	444,407

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

LOWER GWYNEDD TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2022

	Street Lighting Fund	Fire Protection Fund	Fire Hydrant Fund	Recreation Fund	Debt Service Fund	Total
ASSETS						
Cash and cash equivalents	\$ 24,424	\$ 174,489	\$ 67,952	\$ 223,107	\$ -	\$ 489,972
Taxes receivable	247	1,657	340	3,235	-	5,479
Due from other funds	<u>2,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332</u>	<u>2,954</u>
Total assets	<u>\$ 27,293</u>	<u>\$ 176,146</u>	<u>\$ 68,292</u>	<u>\$ 226,342</u>	<u>\$ 332</u>	<u>\$ 498,405</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 877	\$ -	\$ -	\$ 13,182	-	\$ 14,059
Due to other funds	<u>-</u>	<u>142,429</u>	<u>1,770</u>	<u>209,293</u>	<u>-</u>	<u>353,492</u>
Total liabilities	<u>877</u>	<u>142,429</u>	<u>1,770</u>	<u>222,475</u>	<u>-</u>	<u>367,551</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	<u>-</u>	<u>2,876</u>	<u>591</u>	<u>5,616</u>	<u>-</u>	<u>9,083</u>
FUND BALANCES						
Restricted for						
Street lighting	26,416	-	-	-	-	26,416
Fire protection	-	30,841	-	-	-	30,841
Fire hydrant	-	-	65,931	-	-	65,931
Recreation	-	-	-	(1,749)	-	(1,749)
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332</u>	<u>332</u>
Total fund balances	<u>26,416</u>	<u>30,841</u>	<u>65,931</u>	<u>(1,749)</u>	<u>332</u>	<u>121,771</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,293</u>	<u>\$ 176,146</u>	<u>\$ 68,292</u>	<u>\$ 226,342</u>	<u>\$ 332</u>	<u>\$ 498,405</u>

LOWER GWYNEDD TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**

Year ended December 31, 2022

	<u>Street Lighting Fund</u>	<u>Fire Protection Fund</u>	<u>Fire Hydrant Fund</u>	<u>Recreation Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES						
Taxes	\$ 16,514	\$ 199,638	\$ 40,023	\$ 389,706	\$ -	\$ 645,881
Interest and rents	383	2,302	1,084	3,389	-	7,158
Charges for services	-	-	-	44,463	-	44,463
Contributions	-	-	-	842	-	842
Total revenues	<u>16,897</u>	<u>201,940</u>	<u>41,107</u>	<u>438,400</u>	<u>-</u>	<u>698,344</u>
EXPENDITURES						
Current						
Public safety - fire	-	-	42,276	-	-	42,276
Public works - highways and streets	14,101	-	-	-	-	14,101
Culture and recreation	-	-	-	572,514	-	572,514
Insurance	-	-	-	3,577	-	3,577
Workmen's compensation	-	29,751	-	645	-	30,396
Payments to fire companies	-	314,663	-	-	-	314,663
Deb service	-	-	-	-	-	-
Total expenditures	<u>14,101</u>	<u>344,414</u>	<u>42,276</u>	<u>576,736</u>	<u>-</u>	<u>977,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,796</u>	<u>(142,474)</u>	<u>(1,169)</u>	<u>(138,336)</u>	<u>-</u>	<u>(279,183)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	165,000	-	-	-	165,000
NET CHANGE IN FUND BALANCES	2,796	22,526	(1,169)	(138,336)	-	(114,183)
FUND BALANCES						
Beginning of year	<u>23,620</u>	<u>8,315</u>	<u>67,100</u>	<u>136,587</u>	<u>332</u>	<u>235,954</u>
End of year	<u>\$ 26,416</u>	<u>\$ 30,841</u>	<u>\$ 65,931</u>	<u>\$ (1,749)</u>	<u>\$ 332</u>	<u>\$ 121,771</u>

LOWER GWYNEDD TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY TRUST FUNDS

December 31, 2022

	<u>Non-Uniformed Fund</u>	<u>Police Pension Fund</u>	<u>Other Post- Employment Fund</u>	<u>Defined Contribution Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 303,580	\$ 1,002,540	\$ 52,998	\$ -	\$ 1,359,118
Investments	5,757,189	15,900,312	900,312	241,361	22,799,174
Accrued income	<u>972</u>	<u>3,229</u>	<u>174</u>	<u>-</u>	<u>4,375</u>
Total assets	<u>\$ 6,061,741</u>	<u>\$ 16,906,081</u>	<u>\$ 953,484</u>	<u>\$ 241,361</u>	<u>\$ 24,162,667</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Restricted for pension benefits	6,061,741	16,906,081	-	241,361	23,209,183
Restricted for OPEB	<u>-</u>	<u>-</u>	<u>953,484</u>	<u>-</u>	<u>953,484</u>
Total net position	<u>\$ 6,061,741</u>	<u>\$ 16,906,081</u>	<u>\$ 953,484</u>	<u>\$ 241,361</u>	<u>\$ 24,162,667</u>

LOWER GWYNEDD TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY TRUST FUNDS

Year ended December 31, 2022

	<u>Non-Uniformed Fund</u>	<u>Police Pension Fund</u>	<u>Other Post- Employment Fund</u>	<u>Defined Contribution Fund</u>	<u>Total</u>
ADDITIONS					
Contributions					
Employer contributions	\$ 33,755	\$ 288,801	\$ 25,000	\$ 37,275	\$ 384,831
Employee contributions	-	110,273	-	-	110,273
Total contributions	<u>33,755</u>	<u>399,074</u>	<u>25,000</u>	<u>37,275</u>	<u>495,104</u>
Investment income (loss)					
Net realized and unrealized gain (loss) on investments	(1,405,475)	(3,834,072)	(209,307)	(45,597)	(5,494,451)
Interest and dividends, net of expenses	154,371	426,823	24,442	-	605,636
Total investment income (loss)	<u>(1,251,104)</u>	<u>(3,407,249)</u>	<u>(184,865)</u>	<u>(45,597)</u>	<u>(4,888,815)</u>
Total additions	<u>(1,217,349)</u>	<u>(3,008,175)</u>	<u>(159,865)</u>	<u>(8,322)</u>	<u>(4,393,711)</u>
DEDUCTIONS					
Benefits paid	325,640	599,213	10,439	-	935,292
CHANGE IN NET POSIION	(1,542,989)	(3,607,388)	(170,304)	(8,322)	(5,329,003)
NET POSITION					
Beginning of year	7,604,730	20,513,469	1,123,788	249,683	29,491,670
End of year	<u>\$ 6,061,741</u>	<u>\$ 16,906,081</u>	<u>\$ 953,484</u>	<u>\$ 241,361</u>	<u>\$ 24,162,667</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Supervisors
Lower Gwynedd Township
Spring House, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lower Gwynedd Township, Spring House, Pennsylvania (the "**Township**"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 9, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BBD, LLP**Philadelphia, Pennsylvania****May 9, 2023**