



Lower Gwynedd Township Spring House, Pennsylvania Montgomery County

Financial Statements
Year Ended December 31, 2023



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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, 2023, 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, 2023, 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 General 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.

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 2022 financial statements, and our report dated May 9, 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, 2022, 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 Impact 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, schedule of OPEB contributions and the trend data on infrastructure condition on pages 4 through 14 and 50 through 57 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 June 25, 2024 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
June 25, 2024**

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

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, 2023. 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 2023 fiscal year of \$60,280,775. During the 2023 fiscal year, the Township had an increase in total net position of \$1,662,287. The net position of the governmental activities increased by \$700,692 and net position of business-type activities increased by \$961,595.
- As of the close of the 2023 fiscal year, the Township's governmental funds reported combined ending fund balances of \$16,824,073, an increase of \$1,229,074 in comparison with the prior year.
- The General Fund reported an increase in fund balance of \$329,913, bringing the cumulative balance to \$8,012,323 or 81.33% of total General Fund expenditures and other financing uses at the conclusion of the 2023 fiscal year.
- General Fund revenues and other financing sources were \$131,022 or 1.30% more than budgeted amounts and General Fund expenditures and other financing uses were \$193,330 or 2.00% more than budgeted amounts resulting in a net negative variance of \$62,308.
- The Township's 2023 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, 2023

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, 2023

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 and OPEB contributions, 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 61 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 2023 fiscal year the Township's assets and deferred outflows exceeded liabilities and deferred inflows by \$60,280,775. The following table presents condensed information for the *Statement of Net Position* of the Township at December 31, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS						
Current assets	\$18,083,802	\$17,097,092	\$ 8,507,788	\$ 7,534,082	\$26,591,590	\$24,631,174
Noncurrent assets	<u>34,014,582</u>	<u>33,517,082</u>	<u>2,514,221</u>	<u>2,746,281</u>	<u>36,528,803</u>	<u>36,263,363</u>
Total assets	<u>52,098,384</u>	<u>50,614,174</u>	<u>11,022,009</u>	<u>10,280,363</u>	<u>63,120,393</u>	<u>60,894,537</u>
DEFERRED OUTFLOWS						
Deferred charges – OPEB	86,433	200,670	-	-	86,433	200,670
Deferred charges - pensions	<u>2,440,147</u>	<u>3,082,382</u>	<u>-</u>	<u>-</u>	<u>2,440,147</u>	<u>3,082,382</u>
Total deferred outflows	<u>2,526,580</u>	<u>3,283,052</u>	<u>-</u>	<u>-</u>	<u>2,526,580</u>	<u>3,283,052</u>
LIABILITIES						
Current liabilities	1,239,926	1,477,995	91,809	311,758	1,331,735	1,789,753
Noncurrent liabilities	<u>2,390,980</u>	<u>3,474,299</u>	<u>-</u>	<u>-</u>	<u>2,390,980</u>	<u>3,474,299</u>
Total liabilities	<u>3,630,906</u>	<u>4,952,294</u>	<u>91,809</u>	<u>311,758</u>	<u>3,722,715</u>	<u>5,264,052</u>
DEFERRED INFLOWS						
Deferred credits – lease receivable	760,076	197,284	-	-	760,076	197,284
Deferred credits – OPEB	351,024	84,972	-	-	351,024	84,972
Deferred credits – pensions	<u>532,383</u>	<u>12,793</u>	<u>-</u>	<u>-</u>	<u>532,383</u>	<u>12,793</u>
Total deferred inflows	<u>1,643,483</u>	<u>295,049</u>	<u>-</u>	<u>-</u>	<u>1,643,483</u>	<u>295,049</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	33,254,506	33,319,798	2,477,434	2,611,653	35,731,940	35,931,451
Restricted	2,346,345	2,084,163	-	-	2,346,345	2,084,163
Unrestricted	<u>13,749,724</u>	<u>13,245,922</u>	<u>8,452,766</u>	<u>7,356,952</u>	<u>22,202,490</u>	<u>20,602,874</u>
Total net position (deficit)	<u>\$49,350,575</u>	<u>\$48,649,883</u>	<u>\$10,930,200</u>	<u>\$ 9,968,605</u>	<u>\$60,280,775</u>	<u>\$58,618,488</u>

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

The Township's total assets as of December 31, 2023 were \$63,120,393 of which \$26,195,351 or 41.50% consisted of unrestricted cash and \$35,731,940 or 56.61% consisted of the Township's investment in capital assets. The Township's total liabilities as of December 31, 2023 were \$3,722,715 of which \$2,390,980 or 64.23% consisted of the actuarially determined net pension and OPEB liabilities.

The Township had unrestricted net position of \$22,202,490 at December 31, 2023. The Township's unrestricted net position increased by \$1,599,616 during 2023 primarily due to the results of current year operations.

A portion of the Township's net position reflects its restricted net position which totaled \$2,346,345 as of December 31, 2023. 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, 2023, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended December 31, 2023, the Township's net investment in capital assets decreased by \$199,511 due to asset additions being less than depreciation for the year.

The following table presents condensed information for the *Statement of Activities* of the Township for 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	\$ 1,129,060	\$ 1,352,963	\$2,852,393	\$2,748,036	\$ 3,981,453	\$ 4,100,999
Operating grants and contributions	891,751	850,568	194,200	263,400	1,085,951	1,113,968
Capital grants and contributions	776,605	-	-	-	776,605	-
General revenues						
Property taxes levied for general purposes	1,726,267	1,712,778	-	-	1,726,267	1,712,778
Earned income taxes levied for general purposes	5,180,565	5,782,888	-	-	5,180,565	5,782,888
Other taxes	1,752,997	2,348,630	-	-	1,752,997	2,348,630
Franchise fees	265,870	267,512	-	-	265,870	267,512
Investment income	787,899	232,659	283,131	93,432	1,071,030	326,091
Gain (loss) on sale or disposal of assets	-	(1,319,958)	-	22,500	-	(1,297,458)
Miscellaneous	23,625	2,238	-	-	23,625	2,238
Total revenues	<u>12,534,639</u>	<u>11,230,278</u>	<u>3,329,724</u>	<u>3,127,368</u>	<u>15,864,363</u>	<u>14,357,646</u>
EXPENSES						
General government	2,416,330	1,832,429	-	-	2,416,330	1,832,429
Public safety	6,822,571	6,740,025	-	-	6,822,571	6,740,025
Public works – highways and streets	1,733,782	1,384,733	-	-	1,733,782	1,384,733
Culture and recreation	869,141	675,069	-	-	869,141	675,069
Sewer and stormwater	-	-	2,360,252	2,239,673	2,360,252	2,239,673
Total expenses	<u>11,841,824</u>	<u>10,632,256</u>	<u>2,360,252</u>	<u>2,239,673</u>	<u>14,202,076</u>	<u>12,871,929</u>
Change in net position (deficit) before transfers	692,815	598,022	969,472	887,695	1,662,287	1,485,717
TRANSFERS	7,877	4,164	(7,877)	(4,164)	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 700,692</u>	<u>\$ 602,186</u>	<u>\$ 961,595</u>	<u>\$ 883,531</u>	<u>\$ 1,662,287</u>	<u>\$ 1,485,717</u>

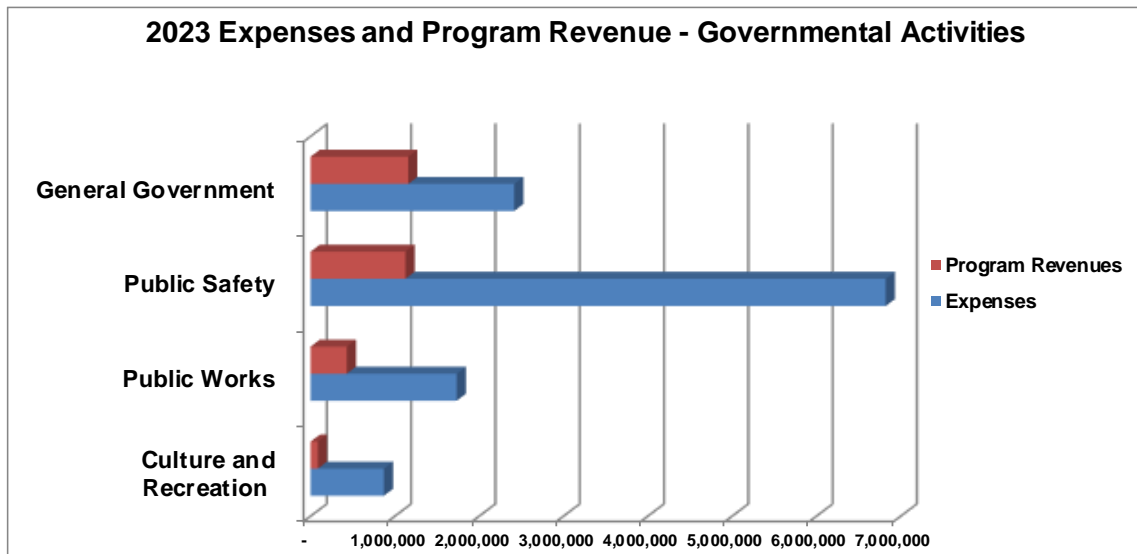
LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

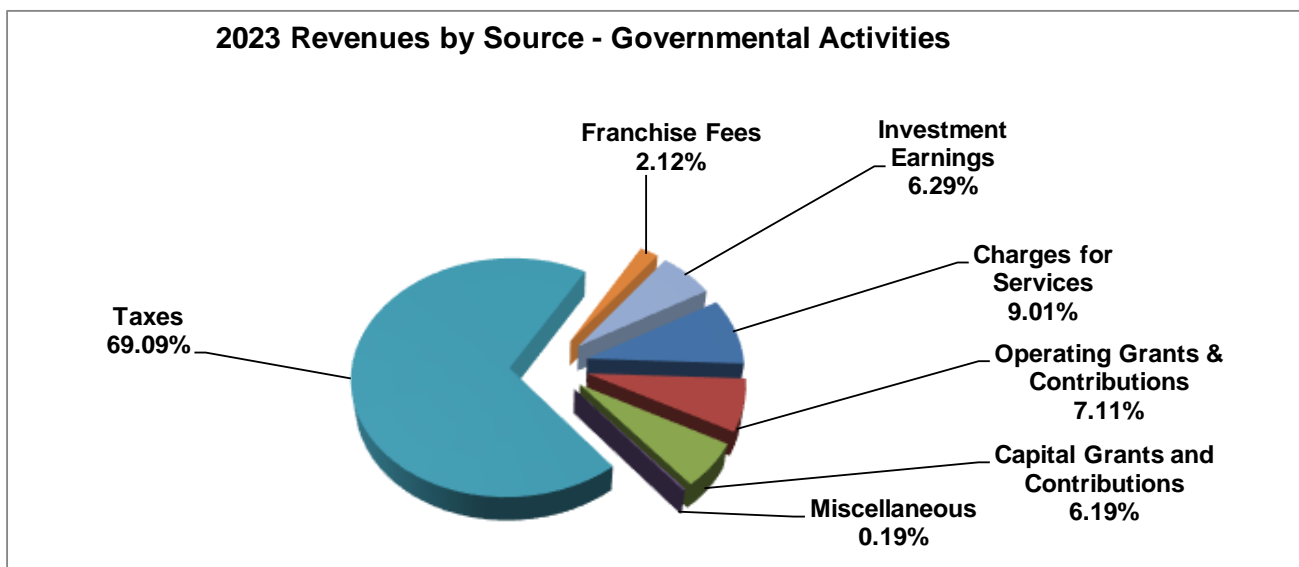
December 31, 2023

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, 2023

GOVERNMENTAL FUNDS

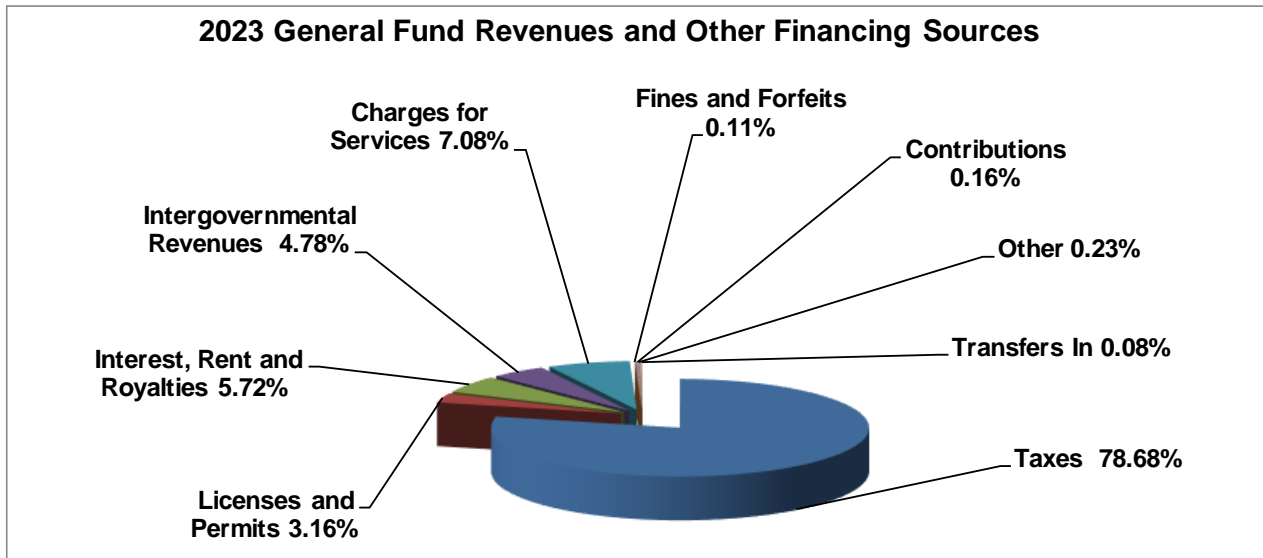
The governmental fund financial statements provide detailed information of the Township's major funds. Some funds are required to be established by State statute while other funds are established by the Township to manage monies restricted for a specific purpose. As of December 31, 2023, the Township's governmental funds reported a combined fund balance of \$16,824,073 which is an increase of \$1,229,074 from the prior year. The following table summarizes the Township's total governmental fund balances as of December 31, 2023 and 2022 and the total 2023 change in governmental fund balances.

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>
General Fund	\$ 8,012,323	\$ 7,682,410	\$ 329,913
Open Space Fund	2,250,871	2,141,541	109,330
Capital Reserve Fund	4,214,534	3,686,885	527,649
Traffic Impact Fund	1,819,129	1,691,267	127,862
Highway Aid Fund	400,572	271,125	129,447
Nonmajor Governmental Funds	<u>126,644</u>	<u>121,771</u>	<u>4,873</u>
	<u>\$16,824,073</u>	<u>\$15,594,999</u>	<u>\$1,229,074</u>

GENERAL FUND

The General Fund is the Township's primary operating fund. At the conclusion of the 2023 fiscal year the General Fund fund balance was \$8,012,323 representing an increase of \$329,913 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 2023 fiscal year.

The Township's reliance upon tax revenues is demonstrated by the graph below that indicates 78.68% of General Fund revenues are derived from local taxes.



LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

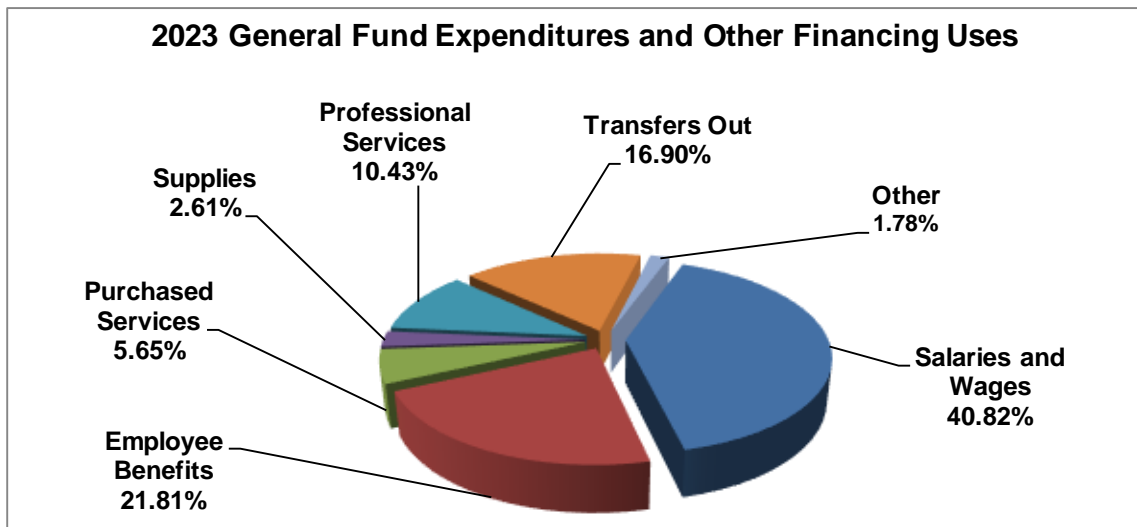
General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$ 8,009,632	\$ 9,206,894	\$(1,197,262)	(13.00)
Licenses and permits	321,798	322,247	(449)	(0.14)
Interest, rents and royalties	582,792	343,863	238,929	69.48
Intergovernmental revenues	486,864	467,068	19,796	4.24
Charges for services	721,025	747,861	(26,836)	(3.59)
Fines and forfeits	11,451	9,406	2,045	21.74
Contributions	16,441	25,097	(8,656)	(34.49)
Other	23,625	9,887	13,738	138.95
Transfers in	8,209	4,164	4,045	97.14
	<u>\$10,181,837</u>	<u>\$11,136,487</u>	<u>\$ (954,650)</u>	<u>(8.57)</u>

Taxes decreased by \$1,197,262 or 13.00% primarily due to a decrease in the recognition of earned income taxes and realty transfer taxes collections.

Interest, rents and royalties increased by \$238,929 or 69.48% 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>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$4,021,544	\$3,685,851	\$ 335,693	9.11
Employee benefits	2,148,619	1,826,159	322,460	17.66
Supplies	256,771	216,423	40,348	18.64
Purchased services	556,938	590,655	(33,717)	(5.71)
Professional services	1,027,689	804,431	223,258	27.75
Other	175,363	186,928	(11,565)	(6.19)
Transfers out	<u>1,665,000</u>	<u>2,490,000</u>	<u>(825,000)</u>	<u>(33.13)</u>
	<u>\$9,851,924</u>	<u>\$9,800,447</u>	<u>\$ 51,477</u>	<u>0.53</u>

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

Salaries and wages increased by \$335,693 or 9.11% 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 non-uniformed employees.

Employee benefit costs increased by \$322,460 or 17.66% primarily as a result of increases in health insurance benefits.

Transfers out to other funds to subsidize capital projects and other activities decreased in direct correlation with budgeted appropriations.

CAPITAL PROJECTS FUNDS

Capital project 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 2023, the Open Space Fund fund balance increased by \$109,330 for a cumulative balance of \$2,250,871 as of December 31, 2023 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 2023, the Capital Reserve Fund fund balance increased by \$527,649 for a cumulative balance of \$4,214,534 as of December 31, 2023 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 2023, the Traffic Impact Fund fund balance increased by \$127,862 due to a budgeted transfer from the General Fund in the amount of \$700,000 for a cumulative balance of \$1,819,129 as of December 31, 2023 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 2023, the Highway Aid Fund fund balance increased by \$129,447 for a cumulative balance of \$400,572 as of December 31, 2023 which is restricted for road projects.

NONMAJOR GOVERNMENTAL FUNDS

The Nonmajor Governmental Funds consist of special revenue 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 2023, the Nonmajor Governmental Funds fund balance increased by \$4,873 for a cumulative balance of \$126,644 as of December 31, 2023. 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 \$131,022 or 1.30% more than budgeted amounts and General Fund expenditures and other financing uses were \$193,330 or 2.00% higher than budgeted amounts resulting in a net negative variance of \$62,308. Revenues and other financing sources were more than budget primarily due to interest rates on deposited funds being higher than budgeted. Expenditures were more than anticipated primarily for public safety salary increases and overall benefit costs being higher than budgeted.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

More detailed information regarding the General Fund budget can be found in the Budgetary Comparison Schedule – General Fund on page 50. 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 2023 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 \$961,595 during 2023. The net position of the business-type activities and proprietary funds totaled \$10,930,200 at December 31, 2023.

CAPITAL ASSETS

The Township's investment in capital assets as of December 31, 2023 amounted to \$35,731,940, 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 2023 was \$199,511 or 0.56%. The decrease was the result of current year capital asset additions being less than depreciation expense and the net book value of disposed of capital assets.

Current year capital additions were \$943,972, depreciation expense was \$1,138,104 and the net book value of disposed of capital assets was \$5,379.

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 standard, 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 liabilities and its net liability for post-employment benefits on its statement of position. The Township's net pension liabilities and net liability for post-employment benefits are actuarially determined liabilities. The Township's net pension liabilities were \$2,321,148 as of December 31, 2023, which decreased by \$660,624 or 22.16% during the current year. The Township's net liability for post-employment benefits is a liability of \$69,832 as of December 31, 2023, which decreased by \$422,695 or 85.82% during the current year. The current year decrease in the net pension liabilities and net liability for post-employment benefits resulted from investment income for consistent with market conditions in 2023.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

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 2024 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 \$448,845 to the Police Pension Plan and a contribution of \$45,143 to the Non-Uniform Pension Plan are included in the 2024 General Fund budget.
- The 2024 budget includes a \$35,549 contribution to the OPEB Plan.
- The 2024 General Fund budget includes a transfer of \$200,000 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 2024 General Fund budget includes a transfer of \$800,000 to the Traffic Impact Fund to subsidize costs with a multimodal transportation grant for the Spring House intersection project and green light 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.

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.

LOWER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

December 31, 2023

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.

In conclusion, the Township's financial position continues to be strong. The 2024 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 above 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, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-Type Activities	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$18,175,155	\$ 8,020,196	\$26,195,351	\$23,688,431
Accounts receivable	101,800	-	101,800	171,029
Taxes receivable	58,083	-	58,083	516,055
Interest receivable	-	-	-	-
Sewer fees receivable	-	236,356	236,356	255,659
Internal balances	(251,236)	251,236	-	-
Total current assets	18,083,802	8,507,788	26,591,590	24,631,174
NONCURRENT ASSETS				
Restricted cash held in escrow	-	36,787	36,787	134,628
Lease receivable	760,076	-	760,076	197,284
Capital assets, net	33,254,506	2,477,434	35,731,940	35,931,451
Total noncurrent assets	34,014,582	2,514,221	36,528,803	36,263,363
Total assets	52,098,384	11,022,009	63,120,393	60,894,537
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - OPEB	86,433	-	86,433	200,670
Deferred charges - pensions	2,440,147	-	2,440,147	3,082,382
Total deferred outflows of resources	2,526,580	-	2,526,580	3,283,052
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	737,234	55,022	792,256	433,161
Escrow deposits	-	36,787	36,787	134,628
Deferred revenue	502,692	-	502,692	1,221,964
Total current liabilities	1,239,926	91,809	1,331,735	1,789,753
NONCURRENT LIABILITIES				
Due within one year	-	-	-	-
Due in more than one year	2,390,980	-	2,390,980	3,474,299
Total noncurrent liabilities	2,390,980	-	2,390,980	3,474,299
Total liabilities	3,630,906	91,809	3,722,715	5,264,052
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on lease receivable	760,076	-	760,076	197,284
Deferred credits - OPEB	351,024	-	351,024	84,972
Deferred credits - pensions	532,383	-	532,383	12,793
Total deferred inflows of resources	1,643,483	-	1,643,483	295,049
NET POSITION				
Net investment in capital assets	33,254,506	2,477,434	35,731,940	35,931,451
Restricted	2,346,345	-	2,346,345	2,084,163
Unrestricted (deficit)	13,749,724	8,452,766	22,202,490	20,602,874
Total net position	\$49,350,575	\$10,930,200	\$60,280,775	\$58,618,488

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended December 31, 2023 with summarized comparative totals for 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for	Operating Grants and	Capital Grants and	Governmental Activities	Business-Type Activities	Totals	
		Services	Contributions	Contributions			2023	2022
GOVERNMENTAL ACTIVITIES								
General government	\$ 2,416,330	\$ 302,496	\$ 78,001	\$ -	\$ (2,035,833)	\$ -	\$ (2,035,833)	\$ (1,469,737)
Public safety	6,822,571	752,156	372,732	-	(5,697,683)	-	(5,697,683)	(5,616,730)
Public works - highways and streets	1,733,782	15,415	414,165	776,605	(527,597)	-	(527,597)	(738,634)
Culture and recreation	869,141	58,993	26,853	-	(783,295)	-	(783,295)	(603,624)
Total governmental activities	11,841,824	1,129,060	891,751	776,605	(9,044,408)	-	(9,044,408)	(8,428,725)
BUSINESS-TYPE ACTIVITIES								
Sewer and stormwater	2,360,252	2,852,393	194,200	-	-	686,341	686,341	771,763
Total primary government	\$ 14,202,076	\$ 3,981,453	\$ 1,085,951	\$ 776,605	(9,044,408)	686,341	(8,358,067)	(7,656,962)
GENERAL REVENUES								
Taxes								
Real estate taxes					1,726,267	-	1,726,267	1,712,778
Earned income taxes					5,180,565	-	5,180,565	5,782,888
Realty transfer taxes					648,045	-	648,045	1,035,389
Local services taxes					391,091	-	391,091	442,210
Business privilege and mercantile taxes					713,861	-	713,861	871,031
Franchise fees					265,870	-	265,870	267,512
Investment earnings					787,899	283,131	1,071,030	326,091
Gain (loss) on disposal of capital assets					-	-	-	(1,297,458)
Miscellaneous					23,625	-	23,625	2,238
Total general revenues					9,737,223	283,131	10,020,354	9,142,679
TRANSFERS					7,877	(7,877)	-	-
CHANGE IN NET POSITION					700,692	961,595	1,662,287	1,485,717
NET POSITION								
Beginning of year					48,649,883	9,968,605	58,618,488	57,132,771
End of year					\$ 49,350,575	\$ 10,930,200	\$ 60,280,775	\$ 58,618,488

See accompanying notes

LOWER GWYNEDD TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2023 with summarized comparative totals for 2022

	General Fund	Open Space Fund	Capital Reserve Fund	Traffic Impact Fund	Highway Aid Fund	Nonmajor Governmental Funds	Totals	
							2023	2022
ASSETS								
Cash and cash equivalents	\$ 8,447,396	\$ 2,250,871	\$ 5,090,937	\$ 1,825,180	\$ 400,572	\$ 160,199	\$ 18,175,155	\$ 16,092,514
Accounts receivable	101,800	-	-	-	-	-	101,800	171,029
Taxes receivable	54,538	-	-	-	-	3,545	58,083	516,055
Lease receivable	760,076	-	-	-	-	-	760,076	197,284
Due from other funds	389,758	-	-	-	-	54	389,812	2,103,896
Total assets	\$ 9,753,568	\$ 2,250,871	\$ 5,090,937	\$ 1,825,180	\$ 400,572	\$ 163,798	\$ 19,484,926	\$ 19,080,778
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued expenses	\$ 588,958	\$ -	\$ 124,686	\$ 6,051	\$ -	\$ 17,539	\$ 737,234	\$ 256,031
Due to other funds	379,873	-	249,025	-	-	12,150	641,048	1,786,402
Deferred revenues	-	-	502,692	-	-	-	502,692	1,221,964
Total liabilities	968,831	-	876,403	6,051	-	29,689	1,880,974	3,264,397
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue on lease receivable	760,076	-	-	-	-	-	760,076	197,284
Unavailable revenues - property taxes	12,338	-	-	-	-	7,465	19,803	24,098
Total deferred inflows of resources	772,414	-	-	-	-	7,465	779,879	221,382
FUND BALANCES								
Restricted for								
Streets and highways	-	-	-	-	400,572	-	400,572	271,125
Street lighting	-	-	-	-	-	29,226	29,226	26,416
Fire protection	-	-	-	-	-	61,793	61,793	30,841
Fire hydrant	-	-	-	-	-	59,526	59,526	65,931
Recreation	-	-	-	-	-	(23,901)	(23,901)	(1,749)
Traffic impact fees	-	-	-	1,819,129	-	-	1,819,129	1,691,267
Debt service	-	-	-	-	-	-	-	332
Assigned for								
Open space	-	2,250,871	-	-	-	-	2,250,871	-
Capital projects	-	-	4,214,534	-	-	-	4,214,534	5,828,426
Unassigned	8,012,323	-	-	-	-	-	8,012,323	7,682,410
Total fund balances	8,012,323	2,250,871	4,214,534	1,819,129	400,572	126,644	16,824,073	15,594,999
Total liabilities, deferred inflows of resources and fund balances	\$ 9,753,568	\$ 2,250,871	\$ 5,090,937	\$ 1,825,180	\$ 400,572	\$ 163,798	\$ 19,484,926	\$ 19,080,778

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 16,824,073
 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.	33,254,506
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.	19,803
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.	1,643,173
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>(2,390,980)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 49,350,575</u>

LOWER GWYNEDD TOWNSHIP

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

Year ended December 31, 2023 with summarized comparative totals for 2022

	General	Open	Capital	Traffic	Highway	Nonmajor	Totals	
	Fund	Space	Reserve	Impact	Aid	Governmental	2023	2022
REVENUES								
Taxes	\$ 8,009,632	\$ -	\$ -	\$ -	\$ -	\$ 654,493	\$ 8,664,125	\$ 9,852,775
Licenses and permits	321,798	-	-	-	-	-	321,798	322,247
Fines and forfeits	11,451	-	-	-	-	-	11,451	9,406
Interest, rent and royalties	582,792	113,793	232,292	82,140	30,245	21,798	1,063,060	501,012
Intergovernmental revenues	486,864	-	790,658	-	368,868	-	1,646,390	827,047
Charges for services	721,025	-	-	11,425	-	58,993	791,443	1,020,469
Contributions	16,441	-	-	-	-	601	17,042	25,939
Miscellaneous	23,625	-	-	-	-	-	23,625	2,238
Total revenues	<u>10,173,628</u>	<u>113,793</u>	<u>1,022,950</u>	<u>93,565</u>	<u>399,113</u>	<u>735,885</u>	<u>12,538,934</u>	<u>12,561,133</u>
EXPENDITURES								
Current								
General government	1,853,840	-	49,906	-	-	-	1,903,746	1,787,085
Public safety	5,385,616	-	190,407	-	-	49,398	5,625,421	5,219,748
Public works - sanitation	6,850	-	-	-	-	-	6,850	5,700
Public works - highways and streets	859,520	-	630,881	665,703	303,321	16,723	2,476,148	1,382,960
Culture and recreation	10,931	4,463	190,452	-	-	674,033	879,879	743,638
Insurance	17,719	-	-	-	-	3,748	21,467	48,781
Employee benefits	52,448	-	-	-	-	19,283	71,731	43,557
Payments to fire companies	-	-	-	-	-	332,495	332,495	314,663
Total expenditures	<u>8,186,924</u>	<u>4,463</u>	<u>1,061,646</u>	<u>665,703</u>	<u>303,321</u>	<u>1,095,680</u>	<u>11,317,737</u>	<u>9,546,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,986,704</u>	<u>109,330</u>	<u>(38,696)</u>	<u>(572,138)</u>	<u>95,792</u>	<u>(359,795)</u>	<u>1,221,197</u>	<u>3,015,001</u>
OTHER FINANCING SOURCES (USES)								
Refunds of prior year expenditures (revenues)	-	-	-	-	-	-	-	5,231
Transfers in	8,209	-	600,000	700,000	33,655	365,000	1,706,864	2,494,164
Transfers out	(1,665,000)	-	(33,655)	-	-	(332)	(1,698,987)	(2,490,000)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	24,687
Total other financing sources (uses)	<u>(1,656,791)</u>	<u>-</u>	<u>566,345</u>	<u>700,000</u>	<u>33,655</u>	<u>364,668</u>	<u>7,877</u>	<u>34,082</u>
NET CHANGE IN FUND BALANCES	329,913	109,330	527,649	127,862	129,447	4,873	1,229,074	3,049,083
FUND BALANCES								
Beginning 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>
End of year	<u>\$ 8,012,323</u>	<u>\$ 2,250,871</u>	<u>\$ 4,214,534</u>	<u>\$ 1,819,129</u>	<u>\$ 400,572</u>	<u>\$ 126,644</u>	<u>\$ 16,824,073</u>	<u>\$ 15,594,999</u>

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,229,074
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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	\$ 820,671	
Depreciation expense	<u>(885,963)</u>	(65,292)

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, 2022	(24,098)	
Deferred inflows of resources December 31, 2023	<u>19,803</u>	(4,295)

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	42,406	
Change in net pension liability and related deferred inflows and outflows	<u>(501,201)</u>	<u>(458,795)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 700,692</u>
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LOWER GWYNEDD TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2023 with summarized comparative totals for 2022

	Sewer Operating Fund	Sewer Reserve Fund	Stormwater Fund	Totals	
				2023	2022
CURRENT ASSETS					
Cash and cash equivalents	\$2,848,595	\$4,375,657	\$795,944	\$ 8,020,196	\$ 7,595,917
Sewer fees receivable	236,356	-	-	236,356	255,659
Due from other funds	377,412	-	2,407	379,819	375,188
Total current assets	<u>3,462,363</u>	<u>4,375,657</u>	<u>798,351</u>	<u>8,636,371</u>	<u>8,226,764</u>
RESTRICTED ASSETS					
Cash held in escrow	36,787	-	-	36,787	134,628
NONCURRENT ASSETS					
Capital assets, net	2,477,434	-	-	2,477,434	2,611,653
Total noncurrent assets	<u>2,477,434</u>	<u>-</u>	<u>-</u>	<u>2,477,434</u>	<u>2,611,653</u>
Total assets	<u>5,976,584</u>	<u>4,375,657</u>	<u>798,351</u>	<u>11,150,592</u>	<u>10,973,045</u>
LIABILITIES					
Accounts payable and accrued expenses	48,074	4,202	2,746	55,022	177,130
Escrow deposits	36,787	-	-	36,787	134,628
Due to other funds	128,583	-	-	128,583	692,682
Total liabilities	<u>213,444</u>	<u>4,202</u>	<u>2,746</u>	<u>220,392</u>	<u>1,004,440</u>
NET POSITION					
Investment in capital assets	2,477,434	-	-	2,477,434	2,611,653
Unrestricted	3,285,706	4,371,455	795,605	8,452,766	7,356,952
Total net position	<u>\$5,763,140</u>	<u>\$4,371,455</u>	<u>\$795,605</u>	<u>\$10,930,200</u>	<u>\$ 9,968,605</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

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

Year ended December 31, 2023 with summarized comparative totals for 2022

	Sewer Operating Fund	Sewer Reserve Fund	Stormwater Fund	Totals	
				2023	2022
OPERATING REVENUES					
Charges for services	\$2,762,222	\$ -	\$ 84,074	\$ 2,846,296	\$2,740,480
Other operating revenue	6,097	-	-	6,097	7,556
Total operating revenues	<u>2,768,319</u>	<u>-</u>	<u>84,074</u>	<u>2,852,393</u>	<u>2,748,036</u>
OPERATING EXPENSES					
Professional fees	22,690	-	-	22,690	22,830
Engineering fees	4,000	-	75,421	79,421	87,419
Rent	127,200	-	-	127,200	124,700
General operating expenses	512,748	-	-	512,748	471,246
Insurance	130,156	-	-	130,156	120,870
Workmen's compensation	1,685	-	-	1,685	3,871
Depreciation	252,141	-	-	252,141	255,091
Maintenance expense	174,898	-	-	174,898	206,100
Treatment expenses	1,059,313	-	-	1,059,313	947,546
Total operating expenses	<u>2,284,831</u>	<u>-</u>	<u>75,421</u>	<u>2,360,252</u>	<u>2,239,673</u>
OPERATING INCOME	483,488	-	8,653	492,141	508,363
NONOPERATING REVENUES					
Proceeds from sale of capital assets	-	-	-	-	22,500
Intergovernmental revenues	-	-	44,200	44,200	4,500
Contributions	-	-	150,000	150,000	258,900
Interest income	68,769	196,468	17,894	283,131	93,432
	<u>68,769</u>	<u>196,468</u>	<u>212,094</u>	<u>477,331</u>	<u>379,332</u>
INCOME BEFORE TRANSFERS	552,257	196,468	220,747	969,472	887,695
Transfers in	115,017	600,000	-	715,017	637,282
Transfers out	(607,877)	(115,017)	-	(722,894)	(641,446)
CHANGE IN NET POSITION	59,397	681,451	220,747	961,595	883,531
NET POSITION					
Beginning of year	5,703,743	3,690,004	574,858	9,968,605	9,085,074
End of year	<u>\$5,763,140</u>	<u>\$4,371,455</u>	<u>\$795,605</u>	<u>\$10,930,200</u>	<u>\$9,968,605</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2023 with summarized comparative totals for 2022

	Sewer	Sewer	Stormwater	Totals	
	Operating Fund	Reserve Fund	Fund	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from users	\$ 2,781,525	\$ -	\$ 84,074	\$ 2,865,599	\$ 2,699,902
Other cash receipts	6,097	-	-	6,097	7,556
Payments to and on behalf of employees	(422,600)	-	-	(422,600)	(398,659)
Payments to vendors and others	(2,419,361)	(132,147)	175,159	(2,376,349)	(1,564,160)
Receipts (return) of escrow deposits (net)	(97,841)	-	-	(97,841)	1,909
Net cash provided by (used for) operating activities	(152,180)	(132,147)	259,233	(25,094)	746,548
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(607,877)	(115,017)	-	(722,894)	(641,446)
Transfers in	115,017	600,000	-	715,017	637,282
Intergovernmental revenues	-	-	44,200	44,200	4,500
Contributions	-	-	150,000	150,000	258,900
Net cash provided by (used for) noncapital financing activities	(492,860)	484,983	194,200	186,323	259,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(123,301)	-	-	(123,301)	(37,282)
Proceeds from sale of capital assets	5,379	-	-	5,379	22,500
Net cash used capital and related financing activities	(117,922)	-	-	(117,922)	(14,782)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	68,769	196,468	17,894	283,131	93,432
Net change in cash and restricted cash	(694,193)	549,304	471,327	326,438	1,084,434
CASH AND RESTRICTED CASH					
Beginning of year	3,579,575	3,826,353	324,617	7,730,545	6,646,111
End of year	\$ 2,885,382	\$ 4,375,657	\$ 795,944	\$ 8,056,983	\$ 7,730,545
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income	\$ 483,488	\$ -	\$ 8,653	\$ 492,141	\$ 508,363
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	252,141	-	-	252,141	255,091
(Increase) decrease in					
Sewer fees receivable	19,303	-	-	19,303	(40,578)
Assessments receivable	-	-	-	-	-
Due from other funds	(377,412)	122,131	250,650	(4,631)	(269,795)
Prepaid expenses	-	-	-	-	240
Increase (decrease) in					
Accounts payable and accrued expenses	(91,877)	(30,161)	(70)	(122,108)	(110,135)
Due to other funds	(339,982)	(224,117)	-	(564,099)	401,453
Escrow deposits	(97,841)	-	-	(97,841)	1,909
Net cash provided by (used for) operating activities	\$ (152,180)	\$ (132,147)	\$ 259,233	\$ (25,094)	\$ 746,548
RECONCILIATION OF CASH AND RESTRICTED CASH					
Cash and cash equivalents	\$ 2,848,595	\$ 4,375,657	\$ 795,944	\$ 8,020,196	\$ 7,595,917
Cash held in escrow	36,787	-	-	36,787	134,628
Total cash and restricted cash	\$ 2,885,382	\$ 4,375,657	\$ 795,944	\$ 8,056,983	\$ 7,730,545

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

December 31, 2023 with summarized comparative totals for 2022

	<u>Custodial Fund</u>		<u>Trust Funds</u>	
	<u>Escrow Fund</u>		<u>2023</u>	<u>2022</u>
	<u>2023</u>	<u>2022</u>		
ASSETS				
Cash and cash equivalents	\$ 1,636,138	\$ 1,931,732	\$ 508,368	\$ 1,359,118
Investments	-	-	26,668,261	22,799,174
Accrued income	-	-	2,073	4,375
Total assets	<u>1,636,138</u>	<u>1,931,732</u>	<u>27,178,702</u>	<u>24,162,667</u>
LIABILITIES	-	-	-	-
NET POSITION				
Restricted for developers	1,636,138	1,931,732	-	-
Held in trust for pension benefits	-	-	26,080,707	23,209,183
Held in trust for other postemployment benefits	-	-	1,097,995	953,484
Total net position	<u>\$ 1,636,138</u>	<u>\$ 1,931,732</u>	<u>\$ 27,178,702</u>	<u>\$ 24,162,667</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended December 31, 2023 with summarized comparative totals for 2022

	<u>Custodial Fund</u>		<u>Trust Funds</u>	
	<u>Escrow Fund</u>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ADDITIONS				
Contributions				
Employer contributions	\$ -	\$ -	\$ 419,694	\$ 384,831
Employee contributions	-	-	160,239	110,273
Developer contributions	<u>2,018,916</u>	<u>876,920</u>	<u>-</u>	<u>-</u>
Total contributions	<u>2,018,916</u>	<u>876,920</u>	<u>579,933</u>	<u>495,104</u>
Investment income				
Net realized and unrealized gain on investments	-	-	2,877,673	(5,494,451)
Interest and dividends, net of expenses	<u>-</u>	<u>-</u>	<u>563,997</u>	<u>605,636</u>
Total investment income	<u>-</u>	<u>-</u>	<u>3,441,670</u>	<u>(4,888,815)</u>
Total additions	<u>2,018,916</u>	<u>876,920</u>	<u>4,021,603</u>	<u>(4,393,711)</u>
DEDUCTIONS				
Return of developer contributions	2,314,510	240,345	-	-
Administrative expenses	-	-	21,399	-
Benefits paid	<u>-</u>	<u>-</u>	<u>984,169</u>	<u>935,292</u>
Total deductions	<u>2,314,510</u>	<u>240,345</u>	<u>1,005,568</u>	<u>935,292</u>
CHANGE IN NET POSITION	(295,594)	636,575	3,016,035	(5,329,003)
NET POSITION				
Beginning of year	<u>1,931,732</u>	<u>1,295,157</u>	<u>24,162,667</u>	<u>29,491,670</u>
End of year	<u>\$ 1,636,138</u>	<u>\$ 1,931,732</u>	<u>\$ 27,178,702</u>	<u>\$ 24,162,667</u>

See accompanying notes

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(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, 2023

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, 2023

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, 2023

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 changes 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, 2023

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 0.0762 mills for general purposes, 0.0762 mills for fire protection, 0.0285 mills for recreation, and 0.0030 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 2023 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, 2023

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, 2023.

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

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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, 2022, 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, 2023

Implementation of New Accounting Pronouncements

Effective January 1, 2023, the Township adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the Township for the year ended December 31, 2023.

The objective of GASB Statement No. 96 is to provide 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. The implementation of GASB Statement No. 96 had no impact on the financial statements of the Township for the year ended December 31, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the Township for the year ended December 31, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the Township for the year ended December 31, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023, the carrying amount of the Township's deposits was \$28,376,644 and the bank balance was \$29,635,947. Of the bank balance, \$750,000 was covered by federal depository insurance and \$6,531,467 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, 2023, PLGIT was rated AAA by a nationally recognized statistical rating agency.

Investments

As of December 31, 2023, 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	\$17,768,764
Fixed income mutual funds	8,711,864
Real estate investment trust (" REIT ")	<u>187,633</u>
	<u>\$26,668,261</u>

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.

LOWER GWYNEDD TOWNSHIP

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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, 2023, 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, 2023.

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, 2023, 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, 2023 was as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2023</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,813,666	\$ -	\$ -	\$ 11,813,666
Infrastructure	13,287,675	-	-	13,287,675
Construction-in-progress	483,079	35,325	-	518,404
Total capital assets not being depreciated	<u>25,584,420</u>	<u>35,325</u>	<u>-</u>	<u>25,619,745</u>
Capital assets being depreciated				
Infrastructure	9,024,401	628,067	-	9,652,468
Buildings and building improvements	10,071,773	-	-	10,071,773
Furniture and equipment	3,440,761	157,279	-	3,598,040
Total capital assets being depreciated	<u>22,536,935</u>	<u>785,346</u>	<u>-</u>	<u>23,322,281</u>
Less accumulated depreciation for				
Infrastructure	(5,201,063)	(329,941)	-	(5,531,004)
Buildings and building improvements	(7,030,948)	(351,468)	-	(7,382,416)
Furniture and equipment	(2,569,546)	(204,554)	-	(2,774,100)
Total accumulated depreciation	<u>(14,801,557)</u>	<u>(885,963)</u>	<u>-</u>	<u>(15,687,520)</u>
Total capital assets being depreciated, net	<u>7,735,378</u>	<u>(100,617)</u>	<u>-</u>	<u>7,634,761</u>
Governmental activities, net	<u>\$ 33,319,798</u>	<u>\$ (65,292)</u>	<u>\$ -</u>	<u>\$ 33,254,506</u>
Business-type activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 5,379	\$ -	\$ 5,379	\$ -
Capital assets being depreciated				
Sewer system and equipment	21,887,798	123,301	-	22,011,099
Less accumulated depreciation	(19,281,524)	(252,141)	-	(19,533,665)
Total capital assets being depreciated, net	<u>2,606,274</u>	<u>(128,840)</u>	<u>-</u>	<u>2,477,434</u>
Business-type activities, net	<u>\$ 2,611,653</u>	<u>\$ (128,840)</u>	<u>\$ 5,379</u>	<u>\$ 2,477,434</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Governmental activities	
General government	\$197,686
Public safety	473,594
Public works	145,856
Culture and recreation	<u>68,827</u>
Total depreciation expense - governmental activities	<u>\$885,963</u>
Business-type activities	
Sewer	<u>\$252,141</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$ 54	General Fund	\$ 54
Sewer Fund	377,412	General Fund	377,412
General Fund	12,150	Nonmajor Governmental Funds	12,150
General Fund	249,025	Capital Reserve Fund	249,025
General Fund	128,583	Sewer Fund	128,583
Stormwater Fund	<u>2,407</u>	General Fund	<u>2,407</u>
	<u>\$ 769,631</u>		<u>\$ 769,631</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, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 7,877	Sewer Fund	\$ 7,877
General Fund	332	Debt Service Fund	332
Nonmajor Governmental Funds	365,000	General Fund	365,000
Capital Reserve Fund	600,000	General Fund	600,000
Traffic Impact Fund	700,000	General Fund	700,000
Highway Aid Fund	33,655	Capital Reserve Fund	33,655
Sewer Fund	115,017	Sewer Reserve Fund	115,017
Sewer Reserve Fund	<u>600,000</u>	Sewer Fund	<u>600,000</u>
	<u>\$2,421,881</u>		<u>\$2,421,881</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 has entered into a long-term lease agreement as lessor or property which expires March, 2024 and has been extended through March, 2029. An initial lease receivable for the original lease was recorded in the amount of \$703,075 and \$710,393 for the lease extension. The lease receivable for the lease extension has an imputed interest rate of 5% and has a lease term of 5 years. As of December 31, 2023, the value of the lease receivable and deferred inflows of resources was \$49,683. The term of the lease was 5 years as of the contract commencement. Future minimum lease payments under this lease is as follows:

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The future minimum lease payments to be received under the leases and the net present value of the future minimum lease payments to be received as of December 31, 2023 are as follows:

Year ending December 31,

2024	\$151,528
2025	155,314
2026	159,197
2027	163,180
2028	167,256
2029	<u>56,209</u>
	852,684
Less: amount representing interest	<u>(92,608)</u>
Present value of minimum lease payments	<u>\$760,076</u>

(7) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended December 31, 2023:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023	Amount Due Within One Year
Police net OPEB liability	\$ 492,527	\$ -	\$ 422,695	\$ 69,832	\$ -
Police net pension liability	2,634,064	-	397,482	2,236,582	-
Nonuniform net pension liability	<u>347,708</u>	<u>-</u>	<u>263,142</u>	<u>84,566</u>	<u>-</u>
Total noncurrent liabilities	<u>\$3,474,299</u>	<u>\$ -</u>	<u>\$1,083,319</u>	<u>\$2,390,980</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.

Plan Membership

Membership in the OPEB Plan consisted of the following at January 1, 2023:

Active employees	22
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>25</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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023 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 15.45%. 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	42.00%	
International Equity	23.00%	
Fixed Income	<u>35.00%</u>	
	<u>100.00%</u>	<u>7.12%</u>

Net OPEB Liability

The Township's net OPEB liability has been measured as of December 31, 2023. The total OPEB liability was determined by an actuarial valuation as of January 1, 2023. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$69,832 measured as the difference between the total OPEB liability of \$1,167,827 and the fiduciary net position of \$1,097,995.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

The Township's change in total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the year ended December 31, 2023 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, 2022	\$1,446,011	\$ 953,484	\$ 492,527
Changes for the year:			
Service cost	32,384	-	32,384
Interest on total OPEB liability	83,993	-	83,993
Changes in actuarial assumptions	(144,241)	-	(144,241)
Differences between expected and actual experience	(239,881)	-	(239,881)
Employer contributions	-	30,973	(30,973)
Net investment income	-	145,376	(145,376)
Benefit payments	(10,439)	(10,439)	-
Administrative expenses	-	(21,399)	21,399
Net changes	<u>(278,184)</u>	<u>144,511</u>	<u>(422,695)</u>
Balances as of December 31, 2023	<u>\$1,167,827</u>	<u>\$1,097,995</u>	<u>\$ 69,832</u>

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

The following presents the net OPEB liability (asset) for December 31, 2023, 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 (asset)	\$(43,543)	\$69,832	\$198,315

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

The following presents the net OPEB 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 OPEB liability (asset)	\$165,244	\$69,832	\$(18,011)

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

For the year ended December 31, 2023, the Township recognized negative OPEB expense of \$8,336. At December 31, 2023, 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	\$63,307	\$229,251
Changes in assumptions	-	121,773
Net difference between projected and actual earnings on OPEB plan investments	<u>23,126</u>	<u>-</u>
	<u>\$86,433</u>	<u>\$351,024</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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,

2024	\$ (60,763)
2025	(17,658)
2026	(2,584)
2027	(49,478)
2028	(35,827)
Thereafter	<u>(98,281)</u>
	<u>\$ (264,591)</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 – SOA Pub-2010 public safety headcount-weighted mortality margin for mortality improvements: scale MP-2021

(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.

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, 2023:

Active employees	20
Retirees and beneficiaries currently receiving benefits (including DROP members)	14
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
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.

LOWER GWYNEDD TOWNSHIP

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December 31, 2023

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.

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, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.50% 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 6.50%. 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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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 14.57%. 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>7.07%</u>

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 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 \$2,236,582 measured as the difference between the total pension liability of \$21,433,655 and the fiduciary net position of \$19,197,073.

The Township's change in total pension liability, plan fiduciary net position, and net pension liability for the year ended December 31, 2023 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, 2022	<u>\$19,540,145</u>	<u>\$16,906,081</u>	<u>\$ 2,634,064</u>
Changes for the year:			
Service cost	666,884	-	666,884
Interest on total pension liability	1,286,331	-	1,286,331
Changes in Actuarial Assumptions	1,211,794	-	1,211,794
Employer contributions	-	315,262	(315,262)
Member contributions	-	160,239	(160,239)
Net investment income	-	2,434,015	(2,434,015)
Benefit payments	(618,524)	(618,524)	-
Difference between expected and actual experience	(652,975)	-	(652,975)
Net changes	<u>1,893,510</u>	<u>2,290,992</u>	<u>(397,482)</u>
Balances as of December 31, 2023	<u>\$21,433,655</u>	<u>\$19,197,073</u>	<u>\$ 2,236,582</u>

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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 6.50%, 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 (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Net pension liability (asset)	\$5,046,391	\$2,236,582	\$(78,098)

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

For the year ended December 31, 2023, the Township recognized pension expense of \$717,657. At December 31, 2023, 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	\$ -	\$482,929
Changes in assumptions	896,222	-
Net difference between projected and actual earnings on pension plan investments	<u>1,059,937</u>	<u>-</u>
	<u>\$1,956,159</u>	<u>\$482,929</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,

2024	\$ 328,223
2025	594,503
2026	819,797
2027	<u>(269,293)</u>
	<u>\$1,473,230</u>

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program ("**DROP**") for a period of 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, 2023 was \$284,971.

Actuarial Methods and Significant Assumptions

- Investment return – 6.50% as of December 31, 2023, which was decrease from 7.00% as of December 31, 2022 (including inflation)
- Discount rate – 6.50% as of December 31, 2023, which was decrease from 7.00% as of December 31, 2022
- Inflation – 3.00%
- Salary increases – 5.50% per yea
- Mortality rates – Pub-2010 safety amount-weighted mortality table, projected from 20210 mortality improvement scale MP-2021

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023:

Active employees	7
Retirees and beneficiaries currently receiving benefits	16
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 Nonuniform 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 $\frac{1}{2}$ 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.

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.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 6.50% 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 6.50%. 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 14.44%. 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>7.07%</u>

Net Pension Liability

The Township's net pension liability has been measured as of December 31, 2023. The total pension liability was determined by an actuarial valuation as of January 1, 2023, and by rolling forward the liabilities from the January 1, 2023 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 \$84,566 measured as the difference between the total pension liability of \$6,665,025 and the fiduciary net position of \$6,580,459.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

The Township's change in total pension liability (asset), plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2023 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, 2022	<u>\$6,409,450</u>	<u>\$6,061,742</u>	<u>\$ 347,708</u>
Changes for the year:			
Service cost	75,926	-	75,926
Interest on total pension liability	412,991	-	412,991
Changes in actuarial assumptions	336,167	-	336,167
Employer contributions	-	26,173	(26,173)
Member contributions	-	-	-
Net investment income	-	847,750	(847,750)
Benefit payments	(355,206)	(335,206)	-
Differences between expected and actual experience	<u>(214,303)</u>	<u>-</u>	<u>(214,303)</u>
Net changes	<u>255,575</u>	<u>518,717</u>	<u>(263,142)</u>
Balances as of December 31, 2023	<u>\$6,665,025</u>	<u>\$6,580,459</u>	<u>\$ 84,566</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 6.50%, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Net pension liability (asset)	<u>\$849,905</u>	<u>\$84,566</u>	<u>\$(560,958)</u>

Pension Expense and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2023, the Township recognized pension expense of \$124,979. At December 31, 2023, the Township reported 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	\$ -	\$49,454
Changes in assumptions	77,577	-
Net difference between projected and actual earnings on pension plan investments	<u>406,411</u>	<u>-</u>
	<u>\$483,988</u>	<u>\$49,454</u>

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

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Year ended December 31,

2024	\$ 96,604
2025	169,394
2026	261,531
2027	<u>(92,995)</u>
	<u>\$434,534</u>

Actuarial Methods and Significant Assumptions

- Investment return – 6.50% as of December 31, 2023, which was decrease from 7.00% as of December 31, 2022 (including inflation)
- Discount rate – 6.50% as of December 31, 2023, which was decrease from 7.00% as of December 31, 2022
- Inflation – 3.00%
- Salary increases – 5.00% per year
- Mortality rates – Pub-2010 general amount-weighted mortality table, projected from 20210 mortality improvement 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 \$303,176 as of December 31, 2023, 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 \$47,285 for 2023.

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.

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 \$25,991 in forfeitures for the year ended December 31, 2023.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(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 \$4,316,550 as of December 31, 2023 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.

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, 2023, the Township is not aware of any additional assessments relating to the property and liability trust.

LOWER GWYNEDD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023, 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) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
Real estate taxes	\$ 1,069,000	\$ 1,069,000	\$ 1,073,393	\$ 4,393
Real estate transfer taxes	650,000	650,000	650,722	722
Earned income taxes	5,500,000	5,500,000	5,180,565	(319,435)
Mercantile taxes	290,000	290,000	249,829	(40,171)
Local services taxes	400,000	400,000	391,091	(8,909)
Business privilege tax	320,000	320,000	464,032	144,032
Total taxes	<u>8,229,000</u>	<u>8,229,000</u>	<u>8,009,632</u>	<u>(219,368)</u>
Licenses and permits	307,650	307,650	321,798	14,148
Fines and forfeits	12,000	12,000	11,451	(549)
Interest, rents and royalties	359,163	359,163	582,792	223,629
Intergovernmental revenues	470,605	470,605	486,864	16,259
Charges for services	623,770	623,770	721,025	97,255
Contributions	38,250	38,250	16,441	(21,809)
Miscellaneous	2,500	2,500	23,625	21,125
Total revenues	<u>10,042,938</u>	<u>10,042,938</u>	<u>10,173,628</u>	<u>130,690</u>
EXPENDITURES				
Current				
General government	1,514,077	1,514,077	1,853,840	(339,763)
Public safety	5,040,593	5,040,593	5,385,616	(345,023)
Public works				
Sanitation	8,000	8,000	6,850	1,150
Highways and streets	940,922	940,922	859,520	81,402
Culture and recreation	20,000	20,000	10,931	9,069
Insurance	62,538	62,538	17,719	44,819
Employee benefits	87,303	87,303	52,448	34,855
Total expenditures	<u>7,673,433</u>	<u>7,673,433</u>	<u>8,186,924</u>	<u>(513,491)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,369,505</u>	<u>2,369,505</u>	<u>1,986,704</u>	<u>(382,801)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(2,000)	(2,000)	-	2,000
Transfers in	7,877	7,877	8,209	332
Transfers out	(1,983,161)	(1,983,161)	(1,665,000)	318,161
Total other financing sources (uses)	<u>(1,977,284)</u>	<u>(1,977,284)</u>	<u>(1,656,791)</u>	<u>320,493</u>
NET CHANGE IN FUND BALANCE	<u>\$ 392,221</u>	<u>\$ 392,221</u>	<u>329,913</u>	<u>\$ (62,308)</u>
FUND BALANCE				
Beginning of year			<u>7,682,410</u>	
End of year			<u>\$ 8,012,323</u>	

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - TRAFFIC IMPACT FUND

Year ended December 31, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and rents	\$ 36,000	\$ 36,000	\$ 82,140	\$ 46,140
Intergovernmental revenues	2,439,351	2,439,351	-	(2,439,351)
Charges for services	<u>361,500</u>	<u>361,500</u>	<u>11,425</u>	<u>(350,075)</u>
Total revenues	<u>2,836,851</u>	<u>2,836,851</u>	<u>93,565</u>	<u>(2,743,286)</u>
EXPENDITURES				
General government	60,000	60,000	-	60,000
Public works - highways and streets	<u>3,755,445</u>	<u>3,755,445</u>	<u>665,703</u>	<u>3,089,742</u>
Total expenditures	<u>3,815,445</u>	<u>3,815,445</u>	<u>665,703</u>	<u>3,149,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(978,594)</u>	<u>(978,594)</u>	<u>(572,138)</u>	<u>406,456</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (278,594)</u>	<u>\$ (278,594)</u>	127,862	<u>\$ 406,456</u>
FUND BALANCE				
Beginning of year			<u>1,691,267</u>	
End of year			<u>\$1,819,129</u>	

LOWER GWYNEDD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND

Year ended December 31, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest and rents	\$ 16,000	\$ 16,000	\$ 30,245	\$ 14,245
Intergovernmental revenues	<u>363,634</u>	<u>363,634</u>	<u>368,868</u>	<u>5,234</u>
Total revenues	<u>379,634</u>	<u>379,634</u>	<u>399,113</u>	<u>19,479</u>
EXPENDITURES				
Public works - highways and streets	<u>513,000</u>	<u>513,000</u>	<u>303,321</u>	<u>209,679</u>
Total expenditures	<u>513,000</u>	<u>513,000</u>	<u>303,321</u>	<u>209,679</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(133,366)</u>	<u>(133,366)</u>	<u>95,792</u>	<u>229,158</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>33,655</u>	<u>33,655</u>
NET CHANGE IN FUND BALANCE	<u>\$(133,366)</u>	<u>\$(133,366)</u>	<u>129,447</u>	<u>\$262,813</u>
FUND BALANCE				
Beginning of year			<u>271,125</u>	
End of year			<u>\$400,572</u>	

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Year ended December 31,

	2023		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	Police Pension Fund
TOTAL PENSION LIABILITY									
Service cost	\$ 666,884	\$ 75,926	\$ 486,546	\$ 110,634	\$ 461,181	\$ 105,365	\$ 499,396	\$ 115,034	\$ 425,522
Interest on total pension liability	1,286,331	412,991	1,266,098	422,724	1,193,013	406,828	1,054,415	374,928	1,059,256
Changes of assumptions	1,211,794	336,167	-	-	18,861	10,047	923,072	293,367	109,015
Differences between expected and actual experience	(652,975)	(214,303)	-	-	63,749	(115,151)	24,845	14,750	(720,111)
Benefit payments, excluding DROP payments	(618,524)	(355,206)	(599,213)	(325,640)	(621,054)	(244,580)	(587,666)	(229,932)	(502,568)
Net change in total pension liability	1,893,510	255,575	1,153,431	207,718	1,115,750	162,509	1,914,062	568,147	371,114
Total pension liability, beginning	19,540,145	6,409,449	18,386,714	6,201,731	17,270,964	6,039,222	15,356,902	5,471,075	14,985,788
Total pension liability, ending	<u>\$ 21,433,655</u>	<u>\$ 6,665,024</u>	<u>\$ 19,540,145</u>	<u>\$ 6,409,449</u>	<u>\$ 18,386,714</u>	<u>\$ 6,201,731</u>	<u>\$ 17,270,964</u>	<u>\$ 6,039,222</u>	<u>\$ 15,356,902</u>
PLAN FIDUCIARY NET POSITION									
Employer contributions	\$ 315,262	\$ 26,173	\$ 288,801	\$ 33,755	\$ 420,930	\$ 177,229	\$ 511,213	\$ 202,993	\$ 1,106,711
Employee contributions	160,239	-	110,273	-	113,734	-	113,893	-	121,645
Net investment income (loss)	2,434,015	847,750	(3,407,249)	(1,251,104)	2,507,227	930,606	2,415,476	911,706	2,656,624
Benefit payments, excluding DROP benefits	(618,524)	(355,206)	(599,213)	(325,640)	(621,054)	(244,580)	(587,666)	(229,932)	(502,568)
Net change in plan fiduciary net position	2,290,992	518,717	(3,607,388)	(1,542,989)	2,420,837	863,255	2,452,916	884,767	3,382,412
Fiduciary net position, beginning	16,906,081	6,061,741	20,513,469	7,604,730	18,092,632	6,741,475	15,639,716	5,856,708	12,257,304
Fiduciary net position, ending	<u>\$ 19,197,073</u>	<u>\$ 6,580,458</u>	<u>\$ 16,906,081</u>	<u>\$ 6,061,741</u>	<u>\$ 20,513,469</u>	<u>\$ 7,604,730</u>	<u>\$ 18,092,632</u>	<u>\$ 6,741,475</u>	<u>\$ 15,639,716</u>
Net pension liability (asset), ending	<u>\$ 2,236,582</u>	<u>\$ 84,566</u>	<u>\$ 2,634,064</u>	<u>\$ 347,708</u>	<u>\$ (2,126,755)</u>	<u>\$ (1,402,999)</u>	<u>\$ (821,668)</u>	<u>\$ (702,253)</u>	<u>\$ (282,814)</u>
Fiduciary net position as a % of total pension liability	89.57%	98.73%	86.52%	94.58%	111.57%	122.62%	104.76%	111.63%	101.84%
Internal money-weighted rate of return	14.57%	14.44%	-16.93%	-17.08%	13.94%	13.91%	15.55%	15.68%	21.09%
Covered payroll	\$ 2,823,919	\$ 592,011	\$ 2,533,917	\$ 808,886	\$ 2,279,371	\$ 911,540	\$ 2,184,338	\$ 928,617	\$ 2,449,851
Net pension liability (asset) as a % of covered payroll	79.20%	14.28%	103.95%	42.99%	-93.30%	-153.92%	-37.62%	-75.62%	-11.54%

2018		2017		2016		2015		2014		
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	Police Pension Fund	Nonuniform Pension Fund
\$ 98,099	\$ 414,155	\$ 101,256	\$ 392,563	\$ 96,435	\$ 350,814	\$ 145,646	\$ 331,689	\$ 145,184	\$ 314,398	\$ 138,271
383,255	1,034,221	355,733	969,430	338,964	924,958	324,467	874,124	296,908	826,356	273,329
175,118	-	-	-	-	-	-	-	-	-	-
(31,323)	-	-	(171,384)	(89,588)	-	-	(14,569)	66,752	-	-
<u>(240,690)</u>	<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>
384,459	950,412	232,160	681,550	143,594	764,807	298,492	676,820	398,345	647,476	327,669
<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>	<u>11,264,723</u>	<u>3,686,356</u>
<u>\$ 5,471,075</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>
\$ 237,625	\$ 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	-
1,021,166	(686,023)	(257,996)	1,912,527	797,736	716,596	308,276	4,056	3,298	462,698	198,111
<u>(240,690)</u>	<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>
1,018,101	(306,155)	(303,891)	2,314,459	773,284	1,070,039	344,148	343,348	153,453	627,236	421,240
<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>8,208,377</u>	<u>3,450,373</u>
<u>\$ 5,856,708</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>\$ (385,633)</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>
107.05%	81.79%	95.12%	89.51%	105.93%	76.75%	92.75%	72.91%	91.22%	74.17%	96.45%
21.10%	-5.40%	-5.05%	18.31%	18.27%	7.55%	7.54%	0.04%	0.08%	5.58%	5.58%
\$ 977,952	\$ 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
-39.43%	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

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2023	289,369	315,262	(25,893)	2,823,919	11.16%

Nonuniform Pension Fund

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2023	3,792	26,173	(22,381)	592,011	4.42%

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Year ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 32,384	\$ 25,977	\$ 26,218
Interest on total OPEB liability	83,993	94,091	92,215
Changes in actuarial assumptions	(144,241)	-	(80,826)
Differences between expected and actual experience	(239,881)	-	106,969
Benefit payments	<u>(10,439)</u>	<u>(10,439)</u>	<u>(10,960)</u>
Net change in total OPEB liability	(278,184)	109,629	133,616
Total OPEB liability, beginning	<u>1,446,011</u>	<u>1,336,382</u>	<u>1,202,766</u>
Total OPEB liability, ending	<u>\$ 1,167,827</u>	<u>\$ 1,446,011</u>	<u>\$ 1,336,382</u>
PLAN FIDUCIARY NET POSITION			
Net investment income	\$ 145,376	\$ (184,865)	\$ 141,429
Employer contributions	30,973	25,000	25,000
Administrative expenses	(21,399)	-	-
Benefit payments	<u>(10,439)</u>	<u>(10,439)</u>	<u>(10,960)</u>
Net change in plan fiduciary net position	144,511	(170,304)	155,469
Fiduciary net position, beginning	<u>953,484</u>	<u>1,123,788</u>	<u>968,319</u>
Fiduciary net position, ending	<u>\$ 1,097,995</u>	<u>\$ 953,484</u>	<u>\$ 1,123,788</u>
Net OPEB liability, ending	<u>\$ 69,832</u>	<u>\$ 492,527</u>	<u>\$ 212,594</u>
Fiduciary net position as a % of total pension liability	94.02%	65.94%	84.09%
Covered payroll	\$ 3,020,501	\$ 2,442,710	\$ 2,279,371
Net OPEB liability as a % of covered payroll	2.31%	20.16%	9.33%

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.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 25,599	\$ 23,846	\$ 28,734
86,596	69,397	77,831
(1,963)	(93,945)	-
-	(41,794)	-
<u>(7,137)</u>	<u>(10,490)</u>	<u>(11,427)</u>
103,095	(52,986)	95,138
<u>1,099,671</u>	<u>1,152,657</u>	<u>1,057,519</u>
<u>\$ 1,202,766</u>	<u>\$ 1,099,671</u>	<u>\$ 1,152,657</u>
\$ 135,452	\$ 121,732	\$ (32,950)
25,000	225,000	25,000
-	-	-
<u>(7,137)</u>	<u>(10,490)</u>	<u>(11,427)</u>
153,315	336,242	(19,377)
<u>815,004</u>	<u>478,762</u>	<u>498,139</u>
<u>\$ 968,319</u>	<u>\$ 815,004</u>	<u>\$ 478,762</u>
<u>\$ 234,447</u>	<u>\$ 284,667</u>	<u>\$ 673,895</u>
80.51%	74.11%	41.54%
\$ 2,470,594	\$ 2,449,851	\$ 2,170,474
9.49%	11.62%	31.05%

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS

Year ended December 31,

<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	\$ 143,462	\$ 174,655	\$ (31,193)	\$ 1,668,327	10.47%
2015	144,116	48,648	95,468	1,844,364	2.64%
2016	132,916	25,000	107,916	2,008,538	1.24%
2017	66,113	199,500	(133,387)	2,089,024	9.55%
2018	111,778	25,000	86,778	2,170,474	1.15%
2019	121,268	225,000	(103,732)	2,449,851	9.18%
2020	127,937	25,000	102,937	2,184,338	1.14%
2021	99,381	25,000	74,381	2,279,371	1.10%
2022	104,847	25,000	79,847	2,442,710	1.02%
2023	80,043	30,973	49,070	3,020,501	1.03%

LOWER GWYNEDD TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

December 31, 2023

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, 2023 and for the preceding two periods:

<u>Year</u>	<u>Average Condition</u>
2021	7.174
2022	7.174
2023	7.588

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>
2019	479,615	366,794
2020	624,594	607,990
2021	350,880	390,067
2022	457,591	444,407
2023	487,000	513,422

LOWER GWYNEDD TOWNSHIP

SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS

Year ended December 31,

<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	\$ 143,462	\$ 174,655	\$ (31,193)	\$ 1,668,327	10.47%
2015	144,116	48,648	95,468	1,844,364	2.64%
2016	132,916	25,000	107,916	2,008,538	1.24%
2017	66,113	199,500	(133,387)	2,089,024	9.55%
2018	111,778	25,000	86,778	2,170,474	1.15%
2019	121,268	225,000	(103,732)	2,449,851	9.18%
2020	127,937	25,000	102,937	2,184,338	1.14%
2021	99,381	25,000	74,381	2,279,371	1.10%
2022	104,847	25,000	79,847	2,442,710	1.02%
2023	80,043	30,973	49,070	3,020,501	1.03%

LOWER GWYNEDD TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

December 31, 2023

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2022	457,591	444,407
2023	487,000	513,422

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

LOWER GWYNEDD TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2023

	<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>
ASSETS						
Cash and cash equivalents	\$29,840	\$63,078	\$59,790	\$ 7,491	\$ -	\$160,199
Taxes receivable	279	1,034	213	2,019	-	3,545
Due from other funds	-	45	9	-	-	54
Total assets	<u>\$30,119</u>	<u>\$64,157</u>	<u>\$60,012</u>	<u>\$ 9,510</u>	<u>\$ -</u>	<u>\$163,798</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 893	\$ -	\$ -	\$ 16,646	\$ -	\$ 17,539
Due to other funds	-	-	-	12,150	-	12,150
Total liabilities	<u>893</u>	<u>-</u>	<u>-</u>	<u>28,796</u>	<u>-</u>	<u>29,689</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	-	2,364	486	4,615	-	7,465
FUND BALANCES						
Restricted for						
Street lighting	29,226	-	-	-	-	29,226
Fire protection	-	61,793	-	-	-	61,793
Fire hydrant	-	-	59,526	-	-	59,526
Recreation	-	-	-	(23,901)	-	(23,901)
Debt service	-	-	-	-	-	-
Total fund balances	<u>29,226</u>	<u>61,793</u>	<u>59,526</u>	<u>(23,901)</u>	<u>-</u>	<u>126,644</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$30,119</u>	<u>\$64,157</u>	<u>\$60,012</u>	<u>\$ 9,510</u>	<u>\$ -</u>	<u>\$163,798</u>

LOWER GWYNEDD TOWNSHIP

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

Year ended December 31, 2023

	<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	\$ 18,269	\$ 202,015	\$ 39,863	\$ 394,346	\$ -	\$ 654,493
Interest and rents	1,264	5,953	3,130	11,451	-	21,798
Charges for services	-	-	-	58,993	-	58,993
Contributions	-	-	-	601	-	601
Total revenues	<u>19,533</u>	<u>207,968</u>	<u>42,993</u>	<u>465,391</u>	<u>-</u>	<u>735,885</u>
EXPENDITURES						
Current						
Public safety - fire	-	-	49,398	-	-	49,398
Public works - highways and streets	16,723	-	-	-	-	16,723
Culture and recreation	-	-	-	674,033	-	674,033
Insurance	-	-	-	3,748	-	3,748
Employee benefits	-	9,521	-	9,762	-	19,283
Payments to fire companies	-	332,495	-	-	-	332,495
Deb service	-	-	-	-	-	-
Total expenditures	<u>16,723</u>	<u>342,016</u>	<u>49,398</u>	<u>687,543</u>	<u>-</u>	<u>1,095,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,810</u>	<u>(134,048)</u>	<u>(6,405)</u>	<u>(222,152)</u>	<u>-</u>	<u>(359,795)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	165,000	-	200,000	-	365,000
Transfers out	-	-	-	-	(332)	(332.00)
Total other financing sources (uses)	<u>-</u>	<u>165,000</u>	<u>-</u>	<u>200,000</u>	<u>(332)</u>	<u>364,668</u>
NET CHANGE IN FUND BALANCES	2,810	30,952	(6,405)	(22,152)	(332)	4,873
FUND BALANCES						
Beginning 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>
End of year	<u>\$ 29,226</u>	<u>\$ 61,793</u>	<u>\$ 59,526</u>	<u>\$ (23,901)</u>	<u>\$ -</u>	<u>\$ 126,644</u>

LOWER GWYNEDD TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY TRUST FUNDS

December 31, 2023

	<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	\$ 127,052	\$ 352,360	\$ 28,956	\$ -	\$ 508,368
Investments	6,452,961	18,843,154	1,068,970	303,176	26,668,261
Accrued income	445	1,559	69	-	2,073
Total assets	<u>6,580,458</u>	<u>19,197,073</u>	<u>1,097,995</u>	<u>303,176</u>	<u>27,178,702</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
	-	-	-	-	-
NET POSITION					
Restricted for pension benefits	6,580,458	19,197,073	-	303,176	26,080,707
Restricted for OPEB	-	-	1,097,995	-	1,097,995
Total net position	<u>\$6,580,458</u>	<u>\$19,197,073</u>	<u>\$ 1,097,995</u>	<u>\$303,176</u>	<u>\$ 27,178,702</u>

LOWER GWYNEDD TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY TRUST FUNDS

Year ended December 31, 2023

	<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	\$ 26,173	\$ 315,263	\$ 30,973	\$ 47,285	\$ 419,694
Employee contributions	-	160,239	-	-	160,239
Total contributions	<u>26,173</u>	<u>475,502</u>	<u>30,973</u>	<u>47,285</u>	<u>579,933</u>
Investment income					
Net realized and unrealized gain on investments	708,948	2,031,672	122,523	14,530	2,877,673
Interest and dividends, net of expenses	<u>138,802</u>	<u>402,342</u>	<u>22,853</u>	-	<u>563,997</u>
Total investment income	<u>847,750</u>	<u>2,434,014</u>	<u>145,376</u>	<u>14,530</u>	<u>3,441,670</u>
Total additions	<u>873,923</u>	<u>2,909,516</u>	<u>176,349</u>	<u>61,815</u>	<u>4,021,603</u>
DEDUCTIONS					
Administrative expenses	-	-	21,399	-	21,399
Benefits paid	<u>355,206</u>	<u>618,524</u>	<u>10,439</u>	-	<u>984,169</u>
Total deductions	<u>355,206</u>	<u>618,524</u>	<u>31,838</u>	-	<u>1,005,568</u>
CHANGE IN NET POSIION	518,717	2,290,992	144,511	61,815	3,016,035
NET POSITION					
Beginning 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>
End of year	<u>\$6,580,458</u>	<u>\$ 19,197,073</u>	<u>\$ 1,097,995</u>	<u>\$303,176</u>	<u>\$ 27,178,702</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, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 25, 2024.

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
June 25, 2024**



June 25, 2024

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Gwynedd Township, Spring House, Pennsylvania (the "**Township**") for the year ended December 31, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 26, 2024, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the Township's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters, related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense, the net present value of the lease receivable and the long-term liabilities recorded for the Township's actuarially determined net pension and other post-employment benefits liabilities. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable to the financial statement as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Township's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules, schedule of change in the net OPEB liability, the schedules of the Township's net pension liability and pension plan contributions and the trend data on infrastructure condition, which are required supplementary information ("**RSI**") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Supervisors and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BBD, LLP

BBD, LLP