

UPPER GWYNEDD TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2017



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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**Upper Gwynedd Township
Parkside Place
PO Box 1
West Point, PA 19486-0001**

To the Citizens of Upper Gwynedd Township

State law requires that all general-purpose local governments publish a complete set of financial statements. Pursuant to that requirement, we hereby issue the annual financial report of Upper Gwynedd Township for the year ended December 31, 2017.

This report consists of management's representations concerning the finances of Upper Gwynedd Township. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Upper Gwynedd Township has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Upper Gwynedd Township's financial statements. Because the cost of internal controls should not outweigh their benefits, Upper Gwynedd Township's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Upper Gwynedd Township's financial statements have been audited by Maillie LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Upper Gwynedd Township for the year ended December 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Upper Gwynedd Township's financial statements for the year ended December 31, 2017, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Upper Gwynedd Township's MD&A can be found immediately following the report of the independent auditors.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Upper Gwynedd Township operates.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We also extend our appreciation to the Township's other elected officials and department heads for their contributions and continued support.

Respectfully submitted,

Mike Lapinski
Township Manager

(Date)

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Commissioners
Upper Gwynedd Township
West Point, Pennsylvania

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 Upper Gwynedd Township as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Upper Gwynedd Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Upper Gwynedd Township as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Commissioners
Upper Gwynedd Township
West Point, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2017, Upper Gwynedd Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 16, budgetary comparison information on page 57, trend data on infrastructure condition on page 58, pension plan information on pages 59 through 61 and postemployment benefits other than pension information on pages 62 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Gwynedd Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



Oaks, Pennsylvania
August 24, 2018

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

The discussion and analysis contained herein of Upper Gwynedd Township's financial performance provides an overview of the Township's financial activities for the fiscal year ending December 31, 2017. This information needs to be read in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

Fund balance is a measure of the financial condition of the Township and is calculated by taking the difference between assets and liabilities. The fund balance of the General Fund at the end of 2017 was \$9,052,486. Compared to the prior year, the fund balance improved by \$577,820 or 6.8%. This absolute dollar improvement is like the prior year increase of \$1,030,237 between 2016 and 2015. This year on year improvement in fund balance indicates the continued financial soundness of the Township.

After twenty-three years without a property tax increase, the Township increased the general purpose real estate tax by one mill in 2014. This increase equates to approximately \$142 for the average residential real estate taxpayer. This difficult decision was made after a thorough line item budget review and near-term outlook of the needs of the Township. With the tax increase, the Township will continue to maintain one of the lowest municipal real estate tax levies in Montgomery County. In addition, the Township is one of a few municipalities in Montgomery County that offers residential property owners the Homestead Exemption discount on real estate taxes.

The Township continues to work with the Department of Environmental Protection relative to expansion permits for the Waste Water Treatment Plant. Phase I Expansion of the Treatment Plant was completed in 2008. Limited construction of Phase II began in 2009, with major construction to continue with PADEP permitting. Phase II construction projects provided secondary treatment for phosphorous as well as other improvements to optimize the treatment of wastewater. During 2010, the Automated Dissolved Oxygen (DO) Project was completed. The DO Project provides automated control to help assure consistent availability of oxygen in the aeration system in response to variable demand, thereby providing optimized treatment performance and reduced electricity usage. During 2011, the Ultraviolet Light Disinfection (UV) Project was completed. The UV operation improved the quality of wastewater by killing pathogens without using chlorine. During 2012, the Merck Wastewater Diversion Project was completed. The Merck Wastewater Diversion Project provides the ability to divert a portion of the wastewater produced by the operations of Merck to the Borough of Lansdale for treatment. During 2013, the North Wales Water Authority Interconnect Project was completed. This project promotes sound environmental principles and improves operating efficiencies by the decommissioning of the North Wales Water Authority Waste-Water Treatment Plant and the redirection and transport of North Wales Borough sewer flow to the Upper Gwynedd Plant for treatment. In 2014, the Bio-Mag Project was completed. The Bio-Mag Project utilizes an innovated technology that utilizes iron-ore to remove phosphorous from wastewater and allows the plant to substantially increase its flow rate. In March 2015, the Township entered into an Intermunicipal Agreement with Towamencin Township and Upper Gwynedd-Towamencin Municipal Authority to provide for the withdrawal of Upper Gwynedd from the Authority. This Agreement along with a Customer Service Agreement between Upper Gwynedd Township and Towamencin Township provides for pursuit of Upper Gwynedd to proceed with the planning and evaluation of constructing the sewage facilities necessary and/or desirable to convey a redirection of a least eight-five percent of the existing sewage flow from Upper Gwynedd-Towamencin Municipal Authority service area located in Upper Gwynedd Township to a sewage treatment plant owned and operated by Upper Gwynedd Township and to make associated modifications to said plant. This diversion project will be planned and possibly executed over the course of the next several years. The Township's Waste Water Treatment Plant also continued its aggressive effort towards the elimination of Infiltration/Inflow (I/I) of ground water into the treatment system. This effort involves identifying and either repairing or replacing broken sewer pipes throughout the Township.

UPPER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

In 2010, the construction of the Sumneytown Pike Phase II project was completed. The total cost of the project was \$11.1 million. Upper Gwynedd Township funded the project through a Montgomery County grant of \$4.3 million, construction assessments of \$0.7 million, North Wales Water Authority expense reimbursement of \$0.5 million, a Township bond issue of \$1.2 million and a Land Development Agreement with Merck.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Township. The components of the report include an independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position. The management's discussion and analysis (MD&A), prepared by the Township's management, provides a narrative introduction and overview that users of the financial statements need in order to interpret the basic financial statements. The MD&A also provides an analysis of key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Township.

- The *statement of net position* focuses on resources available for future operations. This statement presents a view of the assets the Township owns, the liabilities it owes and the net difference.
- The *statement of activities* focuses on gross and net costs of Township programs and the extent to which programs rely on taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- *Fund financial statements* focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Township's major Governmental Funds are represented in their own columns, and the remaining funds are combined into a column titled "Nonmajor Governmental Funds." Statements for the Township's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Township's two (2) Sewer Funds and can be found in more detail beginning with the statement of net position, Proprietary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government, i.e., Employee Pension Funds. Fiduciary Funds are not reflected in the government-wide statements because the Township cannot use these assets to finance its operations.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Township's financial condition.

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Other required supplementary information consisting of budgetary comparisons of the General Fund and pension plan schedules are provided.

Other supplementary information consisting of the balance sheet and statement of revenues, expenditures and changes in fund balances for Nonmajor Governmental Funds is also provided.

REPORTING THE TOWNSHIP AS A WHOLE

The analysis of the Township as a whole begins with the statement of net position.

Is the Township as a whole better off or worse off as a result of the year's activities? The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps to answer this question. We divide the Township into two kinds of activities:

- **Governmental Activities:** These are the Township's basic services and are reported in this category. They include general administration, police, public works, code enforcement and parks and recreation. Real estate and EIT taxes, fees and charges and grants finance most of these activities.
- **Proprietary Activities:** This category includes activities and services provided through the Township's two sanitary sewer systems. These activities are funded via user charges. The Township's Sewer Fund is comprised of revenues and expenditures that relate to the sanitary sewer needs of the eastern half of the Township. The Township's Sewer Revenue Fund is comprised of revenues and expenditures that relate to the sanitary sewer needs of the western half of the Township. The Sewer Revenue Fund is almost completely comprised of the collection of revenues from our rate payers. Payments are made to the Towamencin Municipal Authority for the Authority's conveyance and treatment of the Township's Upper Collection System waste water.

The revenue from these activities is:

Sewer Fund	\$4,058,020
Sewer Revenue Fund	\$1,483,419

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The following tables reflect the condensed statements of net position.

Table 1
Condensed Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 11,595,394	\$ 18,803,438	\$ 30,398,832
Capital assets	<u>36,231,571</u>	<u>27,287,860</u>	<u>63,519,431</u>
TOTAL ASSETS	<u>47,826,965</u>	<u>46,091,298</u>	<u>93,918,263</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net	27,215	-	27,215
Deferred outflows of resources, pension activity	<u>341,158</u>	<u>-</u>	<u>341,158</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>368,373</u>	<u>-</u>	<u>368,373</u>
LIABILITIES			
Current and other liabilities	855,932	208,138	1,064,070
Long-term liabilities	<u>4,199,354</u>	<u>2,458,452</u>	<u>6,657,806</u>
TOTAL LIABILITIES	<u>5,055,286</u>	<u>2,666,590</u>	<u>7,721,876</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>620,125</u>	<u>-</u>	<u>620,125</u>
NET POSITION			
Net investment in capital assets	32,469,786	24,829,408	57,299,194
Restricted	1,213,508	-	1,213,508
Unrestricted	<u>8,836,633</u>	<u>18,595,300</u>	<u>27,431,933</u>
TOTAL NET POSITION	<u>\$ 42,519,927</u>	<u>\$ 43,424,708</u>	<u>\$ 85,944,635</u>

For more detailed information, see the statement of net position on page 17 of the annual financial report.

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Table 2
Condensed Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 10,476,612	\$ 18,532,430	\$ 29,009,042
Capital assets	<u>35,892,626</u>	<u>28,448,524</u>	<u>64,341,150</u>
TOTAL ASSETS	<u>46,369,238</u>	<u>46,980,954</u>	<u>93,350,192</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net	30,239	-	30,239
Deferred outflows of resources, pension activity	<u>570,477</u>	<u>-</u>	<u>570,477</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>600,716</u>	<u>-</u>	<u>600,716</u>
LIABILITIES			
Current and other liabilities	859,777	290,666	1,150,443
Long-term liabilities	<u>5,484,844</u>	<u>2,695,679</u>	<u>8,180,523</u>
TOTAL LIABILITIES	<u>6,344,621</u>	<u>2,986,345</u>	<u>9,330,966</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>198,773</u>	<u>-</u>	<u>198,773</u>
NET POSITION			
Net investment in capital assets	31,757,865	25,752,845	57,510,710
Restricted	1,088,296	-	1,088,296
Unrestricted	<u>7,580,399</u>	<u>18,241,764</u>	<u>25,822,163</u>
TOTAL NET POSITION	<u>\$ 40,426,560</u>	<u>\$ 43,994,609</u>	<u>\$ 84,421,169</u>

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Statement of Activities

The following tables reflect the revenues and expenses for the current period.

Table 3
Changes in Net Position
Year Ended December 31, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 1,418,285	\$ 5,541,439	\$ 6,959,724
Operating grants and contributions	1,240,506	-	1,240,506
Capital grants and contributions	-	-	-
General revenues			
Taxes	9,643,536	-	9,643,536
Other	78,828	158,804	237,632
Transfers	454,014	(454,014)	-
TOTAL REVENUES	<u>12,835,169</u>	<u>5,246,229</u>	<u>18,081,398</u>
EXPENSES			
General administration	1,836,246	-	1,836,246
Public safety	4,542,009	-	4,542,009
Parks and recreation	601,209	-	601,209
Insurance and employee benefits	870,230	-	870,230
Highways	2,795,733	-	2,795,733
Interest on long-term debt	96,375	-	96,375
Operating expenses	-	5,816,130	5,816,130
TOTAL EXPENSES	<u>10,741,802</u>	<u>5,816,130</u>	<u>16,557,932</u>
CHANGE IN NET POSITION	2,093,367	(569,901)	1,523,466
NET POSITION, BEGINNING OF YEAR	<u>40,426,560</u>	<u>43,994,609</u>	<u>84,421,169</u>
NET POSITION, END OF YEAR	<u>\$ 42,519,927</u>	<u>\$ 43,424,708</u>	<u>\$ 85,944,635</u>

For more detailed information, see the statement of activities on page 18 of the annual financial report.

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Table 4
Changes in Net Position
Year Ended December 31, 2016

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	\$ 1,373,741	\$ 5,040,961	\$ 6,414,702
Operating grants and contributions	1,773,143	-	1,773,143
Capital grants and contributions	8,293	-	8,293
General revenues			
Taxes	9,158,338	-	9,158,338
Other	63,474	221,230	284,704
Transfers	453,000	(453,000)	-
TOTAL REVENUES	<u>12,829,989</u>	<u>4,809,191</u>	<u>17,639,180</u>
EXPENSES			
General administration	1,958,676	-	1,958,676
Public safety	4,317,490	-	4,317,490
Parks and recreation	549,681	-	549,681
Insurance and employee benefits	863,671	-	863,671
Highways	3,086,198	-	3,086,198
Interest on long-term debt	101,069	-	101,069
Operating expenses	-	5,720,282	5,720,282
TOTAL EXPENSES	<u>10,876,785</u>	<u>5,720,282</u>	<u>16,597,067</u>
CHANGE IN NET POSITION	1,953,204	(911,091)	1,042,113
NET POSITION, BEGINNING OF YEAR	<u>38,473,356</u>	<u>44,905,700</u>	<u>83,379,056</u>
NET POSITION, END OF YEAR	<u>\$ 40,426,560</u>	<u>\$ 43,994,609</u>	<u>\$ 84,421,169</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary adjustments and supplemental appropriations in 2017 were not material. Transfers and/or adjustments to the budget are made as a result of unanticipated expenditures and/or revenues.

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Upper Gwynedd Township's investment in capital assets for its governmental and proprietary activities as of December 31, 2017, totals \$100,057,350. The Township's investment in capital assets includes land, infrastructure, buildings, vehicles, equipment, and sewer treatment plant and collection system.

Figure A-1
Capital Assets (Net of Depreciation, in Thousands of Dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 3,960	\$ -
Sewer plant	-	37,084
Construction in progress	-	918
Vehicles	2,804	310
Land improvements	2,771	-
Buildings and improvements	5,680	-
Equipment and furniture	2,907	8,476
Infrastructure	30,881	4,267
Accumulated depreciation	<u>(12,771)</u>	<u>(23,767)</u>
TOTAL	<u>\$ 36,232</u>	<u>\$ 27,288</u>

Property, plant, system infrastructure and equipment of the Township are depreciated using the straight-line method. However, for road and street infrastructure, the Township elected to use the modified approach. For 2017, the Township expended \$618,849 for road and street maintenance. Approximately 3.5 miles of streets and roads were either recycled or micro surfaced. Current condition levels remain above the Township's minimum targeted condition level. To keep condition levels above the minimum target, the Township projects to continually resurface approximately 3.5 miles of roads annually.

The modified approach is described in more detail in the required supplementary information to the financial statements.

Additional information on the Township's capital assets can be found in Notes A and C to the financial statements.

UPPER GWYNEDD TOWNSHIP
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2017

Debt

At year-end 2017, the Township had \$6,247,452 (see Figure A-2) in outstanding debt. The debt service due within one year is \$606,662.

Figure A-2
Outstanding Long-Term Debt

General Obligation Note	\$ <u>3,789,000</u>
Pennworks Loan	\$ <u>2,458,452</u>
Compensated Absences	\$ <u>53,643</u>

ECONOMIC FACTORS IMPACTING FUTURE BUDGETS

Upper Gwynedd Township is located approximately 18 miles northwest of center city Philadelphia in Montgomery County. The Township services an area of approximately 8.05 square miles consisting of a residential population of approximately 15,552 (2010 U.S. Census). Minor (uncounted) population growth since the 2010 Census can be assumed. Due to the desirable nature of the Township, substantial growth in residential population occurred between 1990 and 1980 a 28.6% increase and between 2000 and 1990 a 16.8% increase. In addition, the Township and the surrounding communities comprise a dynamic area that provides a desirable place to work. Upper Gwynedd Township’s daytime population increases by approximately 15,000 people due to the substantial employment opportunities offered by Merck & Co., Inc., North Penn School District, Icon Clinical Research, Acts Retirement Life Insurance, Colorcon Inc., Lehigh Valley Dairy and many other smaller employers.

With the national and worldwide economic downturn that started late 2008 and the mandated cost increases from pension obligations, wastewater treatment regulations, and storm water management regulations, the Township has taken actions to increase its revenue by raising the Local Services Tax in 2009 to \$52 per person employed within the Township, by raising the general fund millage in 2014 from 0.874 to 1.874, and by reducing its operating costs by various cost containment measures all while maintaining a high level of service. With these actions, the overall financial health of the Township remains strong. This was confirmed during the refinancing of our 2001 General Obligation Bonds in 2010, when the Township was again assigned an AA+ credit rating from Standard & Poor’s. This is the second highest rating issued by Standard & Poor’s and is defined as the Township having very strong capacity to meet its financial commitments.

There is no substantial reason to believe that the 2018 budget will be substantially impacted due to unplanned fluctuations in the general economic condition.

UPPER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. Questions about this report or requests for additional financial information should be made to the Right to Know Officer by mail to Upper Gwynedd Township, PO Box 1, West Point, PA 19486-0001 or by telephone at 215-699-7777.

Mike Lapinski
Township Manager

David J. Brill
Finance Director

UPPER GWYNEDD TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 8,767,703	\$ 6,596,288	\$ 15,363,991
Investments	1,723,184	10,071,850	11,795,034
Accrued investment income	6,578	21,008	27,586
Receivables	968,777	1,771,966	2,740,743
Taxes receivable	201,784	-	201,784
Due from other funds	(292,658)	292,658	-
Prepaid expenses	219,139	49,668	268,807
Net OPEB asset	887	-	887
Capital assets			
Land	3,959,692	-	3,959,692
Construction in progress	-	917,773	917,773
Land improvements, net	2,177,219	-	2,177,219
Buildings and improvements, net	3,411,155	-	3,411,155
Equipment and furniture, net	1,092,618	8,563,313	9,655,931
Vehicles, net	357,665	34,013	391,678
Infrastructure, net	25,233,222	-	25,233,222
Sewer plant, net	-	17,772,761	17,772,761
TOTAL ASSETS	47,826,965	46,091,298	93,918,263
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding, net	27,215	-	27,215
Deferred outflows of resources, pension activity	341,158	-	341,158
TOTAL DEFERRED OUTFLOWS OF RESOURCES	368,373	-	368,373
LIABILITIES			
Accounts payable and accrued expenses	480,670	198,731	679,401
Payroll and withholding taxes payable	188,816	-	188,816
Escrow deposits	153,423	9,407	162,830
Accrued interest	33,023	-	33,023
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	53,643	-	53,643
Bonds and note payable	385,000	221,661	606,661
Portion due or payable after one year			
Bonds and note payable	3,404,000	2,236,791	5,640,791
Net pension liability	356,711	-	356,711
TOTAL LIABILITIES	5,055,286	2,666,590	7,721,876
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	620,125	-	620,125
NET POSITION			
Net investment in capital assets	32,469,786	24,829,408	57,299,194
Restricted	1,213,508	-	1,213,508
Unrestricted	8,836,633	18,595,300	27,431,933
TOTAL NET POSITION	\$ 42,519,927	\$ 43,424,708	\$ 85,944,635

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,836,246	\$ 1,007,884	\$ 1,185,811	\$ -
Public safety	4,542,009	73,697	54,695	-
Parks and recreation	601,209	336,704	-	-
Insurance and employee benefits	870,230	-	-	-
Highways	2,795,733	-	-	-
Interest on long-term debt	96,375	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,741,802	1,418,285	1,240,506	-
BUSINESS-TYPE ACTIVITIES				
Sewer Revenue Fund	1,283,470	1,483,419	-	-
Sewer Fund	4,024,021	4,058,020	-	-
Sewer Expansion Fund	508,639	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	5,816,130	5,541,439	-	-
TOTAL TOWNSHIP ACTIVITIES	\$ 16,557,932	\$ 6,959,724	\$ 1,240,506	\$ -
GENERAL REVENUES				
Taxes				
Real estate taxes, net				
Per capita tax				
Real estate transfer tax				
Earned income tax				
Earnings on investments				
Miscellaneous				
TRANSFERS, net				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ 357,449	\$ -	\$ 357,449
(4,413,617)	-	(4,413,617)
(264,505)	-	(264,505)
(870,230)	-	(870,230)
(2,795,733)	-	(2,795,733)
(96,375)	-	(96,375)
<u>(8,083,011)</u>	<u>-</u>	<u>(8,083,011)</u>
-	199,949	199,949
-	33,999	33,999
-	(508,639)	(508,639)
<u>-</u>	<u>(274,691)</u>	<u>(274,691)</u>
<u>(8,083,011)</u>	<u>(274,691)</u>	<u>(8,357,702)</u>
3,119,957	-	3,119,957
804,487	-	804,487
788,589	-	788,589
4,930,503	-	4,930,503
66,170	158,804	224,974
12,658	-	12,658
454,014	(454,014)	-
<u>10,176,378</u>	<u>(295,210)</u>	<u>9,881,168</u>
2,093,367	(569,901)	1,523,466
<u>40,426,560</u>	<u>43,994,609</u>	<u>84,421,169</u>
<u>\$ 42,519,927</u>	<u>\$ 43,424,708</u>	<u>\$ 85,944,635</u>

UPPER GWYNEDD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 7,831,762	\$ 935,941	\$ 8,767,703
Investments	1,723,184	-	1,723,184
Accrued investment income	6,578	-	6,578
Accounts receivable	968,777	-	968,777
Taxes receivable, net	201,784	-	201,784
Due from other funds	329,201	796,821	1,126,022
Due from other governmental agencies	-	-	-
Prepaid expenses	<u>219,139</u>	<u>-</u>	<u>219,139</u>
TOTAL ASSETS	<u>\$ 11,280,425</u>	<u>\$ 1,732,762</u>	<u>\$ 13,013,187</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 467,020	\$ 13,650	\$ 480,670
Payroll and withholding taxes payable	188,816	-	188,816
Due to other funds	1,418,680	-	1,418,680
Escrow deposits	<u>153,423</u>	<u>-</u>	<u>153,423</u>
TOTAL LIABILITIES	<u>2,227,939</u>	<u>13,650</u>	<u>2,241,589</u>
FUND BALANCES			
Nonspendable, prepaid expenses	219,139	-	219,139
Restricted			
Highway and street projects	-	231,567	231,567
Fire protection	-	981,941	981,941
Assigned			
Capital projects	-	505,604	505,604
Unassigned	<u>8,833,347</u>	<u>-</u>	<u>8,833,347</u>
TOTAL FUND BALANCES	<u>9,052,486</u>	<u>1,719,112</u>	<u>10,771,598</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,280,425</u>	<u>\$ 1,732,762</u>	<u>\$ 13,013,187</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 10,771,598

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

Land	3,959,692
Land improvements, net of accumulated depreciation of \$593,300	2,177,219
Buildings and improvements, net of accumulated depreciation of \$2,268,642	3,411,155
Equipment and furniture, net of accumulated depreciation of \$1,814,321	1,092,618
Vehicles, net of accumulated depreciation of \$2,446,236	357,665
Infrastructure, not being depreciated	20,152,344
Infrastructure, net of accumulated depreciation of \$5,648,054	5,080,878
	<u>36,231,571</u>

The Net OPEB asset is not a financial resource and therefore is not reported in the funds 887

Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred charge on refunding	34,037
Accumulated amortization	(6,822)

Deferred inflows and outflows related to pension activities are not financial resources and therefore are not reported in the governmental funds. (278,967)

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long term--are reported in the statement of net position. Balances at December 31, 2017, are:

Accrued interest on bonds	(33,023)
Bonds and note payable (Note E)	(3,789,000)
Net pension liability	(356,711)
Compensated absences	(53,643)
	<u>(4,232,377)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 42,519,927

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real estate taxes, net	\$ 2,892,414	\$ 227,543	\$ 3,119,957
Earned income taxes	4,930,503	-	4,930,503
Local services tax	804,487	-	804,487
Real estate transfer tax	788,589	-	788,589
Intergovernmental revenues	724,036	461,775	1,185,811
Licenses and permits	408,470	-	408,470
Fees and fines	50,241	-	50,241
Departmental earnings	958,026	-	958,026
Investment income and rents	61,503	4,667	66,170
Miscellaneous	56,243	-	56,243
TOTAL REVENUES	<u>11,674,512</u>	<u>693,985</u>	<u>12,368,497</u>
EXPENDITURES			
General government	1,776,492	-	1,776,492
Public safety	4,641,339	165,412	4,806,751
Parks and recreation	788,512	-	788,512
Highways	2,999,759	-	2,999,759
Insurance and employee benefits	872,564	-	872,564
Debt service			
Principal retirement	376,000	-	376,000
Interest paid	96,628	-	96,628
TOTAL EXPENDITURES	<u>11,551,294</u>	<u>165,412</u>	<u>11,716,706</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>123,218</u>	<u>528,573</u>	<u>651,791</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(600,000)	(587,944)	(1,187,944)
Operating transfers in	1,041,944	600,014	1,641,958
Proceeds from sale of fixed assets	12,658	-	12,658
TOTAL OTHER FINANCING SOURCES (USES)	<u>454,602</u>	<u>12,070</u>	<u>466,672</u>
NET CHANGE IN FUND BALANCES	577,820	540,643	1,118,463
FUND BALANCES AT BEGINNING OF YEAR	<u>8,474,666</u>	<u>1,178,469</u>	<u>9,653,135</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,052,486</u>	<u>\$ 1,719,112</u>	<u>\$ 10,771,598</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,118,463

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,101,284) exceeds depreciation (\$762,339) in the current period (Note C). 338,945

The issuance of long-term debt (e.g., bonds, note, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 372,976

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest not reflected in Governmental Funds	3,277
Pension plan expense	256,485
OPEB plan expense	887

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 2,334

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,093,367

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
ASSETS				
Cash and cash equivalents	\$ 1,856,456	\$ 1,382,498	\$ 3,357,334	\$ 6,596,288
Investments	6,371,254	1,008,012	2,692,584	10,071,850
Accrued investment income	12,956	3,253	4,799	21,008
Accounts receivable	493,852	1,278,114	-	1,771,966
Due from other funds	621,859	2,107,486	-	2,729,345
Prepaid expenses	-	49,668	-	49,668
Capital assets	1,327,346	35,608,026	14,119,854	51,055,226
Accumulated depreciation	(138,790)	(20,182,218)	(3,446,358)	(23,767,366)
TOTAL ASSETS	<u>10,544,933</u>	<u>21,254,839</u>	<u>16,728,213</u>	<u>48,527,985</u>
LIABILITIES				
Accounts payable and accrued expenses	37,937	160,794	-	198,731
Due to other funds	162,565	329,201	1,944,921	2,436,687
Loan payable to other governments	-	2,458,452	-	2,458,452
Escrow deposits	-	9,407	-	9,407
TOTAL LIABILITIES	<u>200,502</u>	<u>2,957,854</u>	<u>1,944,921</u>	<u>5,103,277</u>
NET POSITION				
Net investment in capital assets	1,188,556	12,967,356	10,673,496	24,829,408
Unrestricted	<u>9,155,875</u>	<u>5,329,629</u>	<u>4,109,796</u>	<u>18,595,300</u>
TOTAL NET POSITION	<u>\$ 10,344,431</u>	<u>\$ 18,296,985</u>	<u>\$ 14,783,292</u>	<u>\$ 43,424,708</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
OPERATING REVENUES				
Sewer rents	\$ 1,474,434	\$ 3,913,397	\$ -	\$ 5,387,831
Connection fees	4,120	135,402	-	139,522
Other	4,865	9,221	-	14,086
TOTAL OPERATING REVENUES	<u>1,483,419</u>	<u>4,058,020</u>	<u>-</u>	<u>5,541,439</u>
COSTS OF SALES AND SERVICES				
Payments to Upper Gwynedd-Towamencin Municipal Authority for service charges and lease rentals	1,163,226	259,281	-	1,422,507
Payroll expenses	-	905,401	-	905,401
Plant utilities	-	243,770	-	243,770
Chemicals	-	209,333	-	209,333
Repairs and maintenance	89,062	196,703	-	285,765
Sludge removal	-	373,145	-	373,145
Other	20,705	27,594	4,943	53,242
TOTAL COSTS OF SALES AND SERVICES	<u>1,272,993</u>	<u>2,215,227</u>	<u>4,943</u>	<u>3,493,163</u>
ADMINISTRATIVE EXPENSES				
Professional fees	-	136,573	-	136,573
Insurance	-	145,828	-	145,828
Employee benefits	-	402,298	-	402,298
TOTAL ADMINISTRATIVE EXPENSES	<u>-</u>	<u>684,699</u>	<u>-</u>	<u>684,699</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	210,426	1,158,094	(4,943)	1,363,577
DEPRECIATION	10,477	1,072,348	503,696	1,586,521
OPERATING INCOME (LOSS)	<u>199,949</u>	<u>85,746</u>	<u>(508,639)</u>	<u>(222,944)</u>
OTHER REVENUES (EXPENSES)				
Investment income	92,503	23,083	43,218	158,804
Interest expense	-	(51,747)	-	(51,747)
Operating transfers out	(224,000)	(230,014)	-	(454,014)
TOTAL OTHER REVENUES (EXPENSES)	<u>(131,497)</u>	<u>(258,678)</u>	<u>43,218</u>	<u>(346,957)</u>
CHANGE IN NET POSITION	68,452	(172,932)	(465,421)	(569,901)
NET POSITION AT BEGINNING OF YEAR	<u>10,275,979</u>	<u>18,469,917</u>	<u>15,248,713</u>	<u>43,994,609</u>
NET POSITION AT END OF YEAR	<u>\$ 10,344,431</u>	<u>\$ 18,296,985</u>	<u>\$ 14,783,292</u>	<u>\$ 43,424,708</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,524,743	\$ 4,004,852	\$ -	\$ 5,529,595
Payments to suppliers	(1,271,294)	(1,659,580)	(4,943)	(2,935,817)
Payments to employees	-	(1,307,699)	-	(1,307,699)
Internal activity, payments to other funds	307,308	(361,155)	-	(53,847)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>560,757</u>	<u>676,418</u>	<u>(4,943)</u>	<u>1,232,232</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out to other funds	(224,000)	(230,014)	-	(454,014)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on loan	-	(237,227)	-	(237,227)
Interest paid on loan	-	(51,747)	-	(51,747)
Purchase of equipment	(349,030)	(76,827)	-	(425,857)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(349,030)</u>	<u>(365,801)</u>	<u>-</u>	<u>(714,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments, net	721,389	660,383	38,165	1,419,937
Investment income	91,929	24,483	42,003	158,415
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>813,318</u>	<u>684,866</u>	<u>80,168</u>	<u>1,578,352</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	801,045	765,469	75,225	1,641,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	<u>1,055,411</u>	<u>617,029</u>	<u>3,282,109</u>	<u>4,954,549</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,856,456</u>	<u>\$ 1,382,498</u>	<u>\$ 3,357,334</u>	<u>\$ 6,596,288</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 199,949	\$ 85,746	\$ (508,639)	\$ (222,944)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	10,477	1,072,348	503,696	1,586,521
Change in assets and liabilities				
Accounts receivable	41,324	(53,168)	-	(11,844)
Due from other funds	248,788	(58,506)	-	190,282
Prepaid expenses	-	16,874	-	16,874
Accounts payable and accrued expenses	1,699	(84,227)	-	(82,528)
Due to other funds	58,520	(302,649)	-	(244,129)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 560,757</u>	<u>\$ 676,418</u>	<u>\$ (4,943)</u>	<u>\$ 1,232,232</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Police Pension Fund	Police Medical Benefits Fund	Non-Uniformed Pension Fund	Total Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 272,775	\$ 15,598	\$ -	\$ 288,373
Investments	13,474,900	296,720	3,402,305	17,173,925
Other receivables	968	-	-	968
TOTAL ASSETS	<u>13,748,643</u>	<u>312,318</u>	<u>3,402,305</u>	<u>17,463,266</u>
NET POSITION				
Held in trust for benefits and other purposes	<u>\$ 13,748,643</u>	<u>\$ 312,318</u>	<u>\$ 3,402,305</u>	<u>\$ 17,463,266</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Police Pension Fund	Police Medical Benefits Fund	Non-Uniformed Pension Fund	Total Fiduciary Funds
ADDITIONS				
Contributions	\$ 737,046	\$ 23,754	\$ 133,754	\$ 894,554
Investment income	1,820,133	15,842	397,041	2,233,016
TOTAL ADDITIONS	<u>2,557,179</u>	<u>39,596</u>	<u>530,795</u>	<u>3,127,570</u>
DEDUCTIONS				
Benefit payments to retired plan participants	498,823	-	104,790	603,613
Administrative	71,441	10,342	-	81,783
TOTAL DEDUCTIONS	<u>570,264</u>	<u>10,342</u>	<u>104,790</u>	<u>685,396</u>
CHANGE IN NET POSITION	1,986,915	29,254	426,005	2,442,174
NET POSITION AT BEGINNING OF YEAR	<u>11,761,728</u>	<u>283,064</u>	<u>2,976,300</u>	<u>15,021,092</u>
NET POSITION AT END OF YEAR	<u>\$ 13,748,643</u>	<u>\$ 312,318</u>	<u>\$ 3,402,305</u>	<u>\$ 17,463,266</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Reporting Entity

The financial statements of Upper Gwynedd Township (the "Township") include the departments and other organizational units over which the Board of Commissioners exercises oversight responsibility.

Consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Township evaluated the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity based on financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviewed the applicability of the criteria listed below.

The Township is financially accountable for:

- Organizations that make up the legal Township entity.

Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township as defined below.

Impose Its Will - If the Township can significantly influence the programs, projects, or activities of or the level of services performed or provided by the organization.

Financial Benefit or Burden - Exists if the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Township. Fiscal dependency is established if the organization is unable to adopt its budget without approval by the Township.

Based on the foregoing criteria, the reporting entity includes all the organizations for which the Township is financially accountable or for which there is a significant relationship.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The Upper Gwynedd Volunteer Fire Company is not a component unit of the Township's reporting entity because the Township does not have sufficient oversight responsibilities for it.
- The tax collector is an elected officer who is responsible for the collection of real estate tax in Montgomery County and the Township. The Township collections represent a portion of the total real estate tax collection activities. The Township regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The statement of net position and statement of activities display information about the Township. These financial statements include the financial activities of the primary government, except for Fiduciary Funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Township's funds, including its Fiduciary Funds. Separate statements for each fund category--*governmental, proprietary* and *fiduciary*--are presented. The emphasis of fund financial statements is on major Governmental and Enterprise Funds, each displayed in a separate column. All remaining Governmental and Enterprise Funds are aggregated and reported as nonmajor funds.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Township reports the following fund types:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for revenues derived from specific taxes or other earmarked revenue sources including state highway aid, federal and state grants, federal revenue sharing entitlements and rental charges that are legally restricted to expenditures for specified purposes. While a Special Revenue Fund is not an operating fund, transfers are made from the Special Revenue Funds to the operating funds authorized to make the expenditures. Funds included in this fund category are:

- Fire Protection Fund
- State Liquid Fuels Tax (Highway Aid) Fund

Capital Project Funds - Capital Project Funds are comprised of the Traffic Improvement Fund and the Capital Projects Fund. The Traffic Improvement Fund is used to account for financial resources to be used for traffic improvement projects as outlined in an agreement with Merck & Co., Inc. The Capital Projects Fund is used to account for financial resources to be used for various capital acquisitions. Funds included in this fund category are:

- Traffic Improvement Fund
- Capital Projects Fund
- Capital Reserve Fund

The General Fund is reported as a major Governmental Fund.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

Enterprise Funds - Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds are comprised of the Sewer Revenue Fund, the Sewer Fund and the Sewer Expansion Fund.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Township's Sewer Revenue Fund and Sewer Fund are charges to customers for services. The Township also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses of the Township's Proprietary Funds include payments to the Upper Gwynedd-Towamencin Municipal Authority for service charges and lease rentals, the cost of operating the sewer plant, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fiduciary Fund Type

Trust Funds - Trust Funds are used to account for financial resources restricted solely for uniformed and non-uniformed retirement plans.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental Funds and Fiduciary Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied provided they are collected within 60 days after the end of the year. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The accrual basis of accounting is used by Enterprise Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The Township reports unearned revenues on its Governmental Funds balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

Budgetary Accounting

The Township's General Fund is subject to budgetary controls on the modified accrual basis of accounting. As required by law, formal budgets are adopted and budgetary transfers are made as and when required. All activity is approved by the Board of Commissioners. Appropriations lapse at the end of each year and must be re-appropriated.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in Governmental Funds operations or Proprietary Funds operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Township policy has set the capitalization threshold for reporting capital assets at \$5,000.

Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB Statement No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	15
Infrastructure (other than roads)	30-40
Buildings	15-40
Computer equipment	3-5
Equipment	3-10
Vehicles	3-20

The Township obtained an appraisal of all Township-owned infrastructure and property as of December 31, 2004. This appraisal determined the historical cost, which is defined as the actual or estimated cost of a property to its present owner. Historical costs were developed in one of two ways: (1) researching Township records or (2) researching historical pricing information and/or a trending analysis based on current replacement costs.

Accumulated depreciation, defined as the total depreciation from the date of acquisition to the current date on the straight-line method with a half-year convention in the year of acquisition and the final year, was computed using industry-accepted life expectancies. No salvage values were considered.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure

GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Township has included the value of all infrastructure in its basic financial statements for December 31, 2017.

The Township defines infrastructure as the basic physical assets, including roads, bridges, sidewalks, drainage systems and traffic signals, used by the Township in the conduct of its business. The Township will depreciate its infrastructure over the estimated useful life of the assets using the straight-line method of depreciation, except for its roads.

The Township has elected to use the modified approach as defined by GASB Statement No. 34 for reporting of its roads. The Township commissioned a physical assessment of the condition of the roads as of December 31, 2016. This condition assessment will be performed every three years. Township roads consist of 49.72 miles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of differences between projected and actual experience of the plan and changes in actuarial assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has one item that qualifies for reporting in this category. Deferred inflows related to pension activity are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual experience and differences between projected and actual earnings on police pension plan investments of the police pension plan.

Cash and Cash Equivalents

The funds in the financial statements consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as due to/due from in the fund that is making the reimbursement. All other interfund transactions are reported as transfers.

Investments

Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Township may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value with the exception of certificates of deposit which are stated at amortized cost.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2017, was in excess of the minimum requirements just described.

The Township has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

Compensated Absences

On January 1 of each year, the Township employees are granted vacation and personal time off in varying amounts based on their total years of service. Vacation and personal time up to 40 hours may be carried over from one year to the next.

Each year, 30 days of sick time are granted to each employee regardless of their total years of service (in first year of hire, sick time is prorated). No carryover of sick time is allowed from one year to the next.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Real Estate Tax Calendar and Reserve

The original tax duplicate is received by the Township and given to the tax collector for mailing by February 1. The discount period extends through April 30, followed by the flat period through June 30 and ends with the penalty period after July 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be liened by January 15 with the county. As such, management has determined all amounts to be collectible as of December 31, 2017.

Net Position Flow Assumption

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

Fund Balance

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Township Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Township Board of Commissioners or by an official or body to which the Township Board of Commissioners delegates the authority. As of December 31, 2017, the Board has not delegated the authority to assign fund balance.
- **Unassigned Fund Balance** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. As of December 31, 2017, \$500,000 of the Township's bank balance of \$15,741,747 was insured by the FDIC. Of the remaining \$15,241,747, the entire balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits and has the collateral held by a custodian in the institution's name.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2017, the Township had the following investments:

Investment Type	Total	Less Than 1 Year
GOVERNMENTAL ACTIVITIES		
Government National Mortgage Association Certificates of deposit	\$ 43,184 <u>1,680,000</u>	\$ - <u>740,000</u>
	\$ <u>1,723,184</u>	\$ <u>740,000</u>
PROPRIETARY ACTIVITIES		
Federal National Mortgage Association Government National Mortgage Association Certificates of deposit	\$ 15,175 206,675 <u>9,850,000</u>	\$ - - <u>8,125,000</u>
	\$ <u>10,071,850</u>	\$ <u>8,125,000</u>
FIDUCIARY ACTIVITIES		
Mutual funds Real estate funds Common stocks	\$ 8,388,880 323,000 <u>8,462,046</u>	\$ 8,388,880 323,000 <u>8,462,046</u>
	\$ <u>17,173,926</u>	\$ <u>17,173,926</u>

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

Fair Value Measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township had Level 1 investments valued at quoted market prices consisting of Government National Mortgage Association, Federal National Mortgage Association, mutual funds and common stocks of \$249,859, \$15,175, \$8,388,880 and \$8,462,046, respectively, and Level 3 investments in Real Estate funds of \$323,000.

The certificates of deposit totaling \$11,530,000 are reported at amortized cost.

Investment Maturities				
1 to 5 Years	6 to 10 Years	11 to 15 Years	16 to 20 Years	21 to 25 Years
\$ - 940,000	\$ - -	\$ 3,730 -	\$ 39,454 -	\$ - -
<u>\$ 940,000</u>	<u>\$ -</u>	<u>\$ 3,730</u>	<u>\$ 39,454</u>	<u>\$ -</u>
\$ - - 1,725,000	\$ - - -	\$ - 7,052 -	\$ 15,175 48,038 -	\$ - 151,585 -
<u>\$ 1,725,000</u>	<u>\$ -</u>	<u>\$ 7,052</u>	<u>\$ 63,213</u>	<u>\$ 151,585</u>
\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ - - -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. The Township's investment policy does not further limit its investment choices.

Concentration of Credit Risk - More than 5% of the Township's investments are in mutual funds, common stocks and certificates of deposit. These investments are 29%, 29% and 40%, respectively, of the Township's total investments.

NOTE C - CAPITAL ASSETS

Capital assets are as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,959,692	\$ -	\$ -	\$ 3,959,692
Infrastructure	21,267,580	67,763	(1,182,999)	20,152,344
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	25,227,272	67,763	(1,182,999)	24,112,036
Capital assets being depreciated				
Land improvements	967,157	1,803,362	-	2,770,519
Infrastructure	10,728,932	-	-	10,728,932
Buildings and improvements	5,679,797	-	-	5,679,797
Equipment and furniture	2,775,131	271,003	(139,195)	2,906,939
Vehicles	2,668,628	218,693	(83,420)	2,803,901
TOTAL CAPITAL ASSETS BEING DEPRECIATED	22,819,645	2,293,058	(222,615)	24,890,088
Accumulated depreciation				
Land improvements	(572,646)	(20,654)	-	(593,300)
Infrastructure	(5,381,160)	(266,894)	-	(5,648,054)
Buildings and improvements	(2,133,330)	(135,312)	-	(2,268,642)
Equipment and furniture	(1,742,721)	(105,464)	33,864	(1,814,321)
Vehicles	(2,324,434)	(234,015)	112,213	(2,446,236)
TOTAL ACCUMULATED DEPRECIATION	(12,154,291)	(762,339)	146,077	(12,770,553)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,665,354	1,530,719	(76,538)	12,119,535
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, net	\$ 35,892,626	\$ 1,598,482	\$ (1,259,537)	\$ 36,231,571

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 568,743	\$ 349,030	\$ -	\$ 917,773
Capital assets being depreciated				
Sewer plant	37,084,110	-	-	37,084,110
Sewer lines	2,387,234	-	-	2,387,234
Engineering	1,879,542	-	-	1,879,542
Machinery and equipment	8,399,184	76,827	-	8,476,011
Vehicles	310,556	-	-	310,556
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>50,060,626</u>	<u>76,827</u>	<u>-</u>	<u>50,137,453</u>
Accumulated depreciation				
Sewer plant	(18,386,631)	(943,548)	-	(19,330,179)
Sewer lines	(229,198)	(37,646)	-	(266,844)
Engineering	(402,542)	(58,904)	-	(461,446)
Machinery and equipment	(2,889,363)	(542,991)	-	(3,432,354)
Vehicles	(273,111)	(3,432)	-	(276,543)
TOTAL ACCUMULATED DEPRECIATION	<u>(22,180,845)</u>	<u>(1,586,521)</u>	<u>-</u>	<u>(23,767,366)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>27,879,781</u>	<u>(1,509,694)</u>	<u>-</u>	<u>26,370,087</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 28,448,524</u>	 <u>\$ (1,160,664)</u>	 <u>\$ -</u>	 <u>\$ 27,287,860</u>

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 92,422
Public safety	172,604
Parks and recreation	30,373
Highways	466,940
	<u>\$ 762,339</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Property and transfer taxes	\$ 103,167	\$ -
Earned income taxes	98,617	-
Sewer rent	-	1,721,049
Other receivable	<u>968,777</u>	<u>50,917</u>
	<u>\$ 1,170,561</u>	<u>\$ 1,771,966</u>

NOTE E - LONG-TERM OBLIGATIONS

A summary of transactions affecting long-term obligations for the year ended December 31, 2017, is as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Note, Series of 2015	\$ 4,165,000	\$ -	\$ (376,000)	\$ 3,789,000	\$ 385,000
Deferred charges	(30,239)	-	3,024	(27,215)	-
Net pension liability	1,263,867	-	(907,156)	356,711	-
Compensated absences	<u>55,977</u>	<u>-</u>	<u>(2,334)</u>	<u>53,643</u>	<u>-</u>
	<u>\$ 5,454,605</u>	<u>\$ -</u>	<u>\$ (1,282,466)</u>	<u>\$ 4,172,139</u>	<u>\$ 385,000</u>
BUSINESS-TYPE ACTIVITIES					
State loan	<u>\$ 2,695,679</u>	<u>\$ -</u>	<u>\$ (237,227)</u>	<u>\$ 2,458,452</u>	<u>\$ 221,662</u>

General Obligation Notes, Series of 2015

In 2015, the Township authorized the purchase of General Obligation Notes, Series of 2015, for the purpose of providing funds to currently refund the General Obligation Bonds, Series of 2010, and to pay the costs of issuance.

Future principal and interest payments at December 31, 2017, for the General Obligation Notes, Series of 2015, are as follows:

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE E - LONG-TERM OBLIGATIONS (Continued)

<u>Year Ending December 31,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	2.320%	\$ 385,000	\$ 87,905	\$ 472,905
2019	2.320%	394,000	78,973	472,973
2020	2.320%	407,000	69,832	476,832
2021	2.320%	413,000	60,390	473,390
2022	2.320%	425,000	50,808	475,808
2023	2.320%	435,000	40,948	475,948
2024	2.320%	445,000	30,856	475,856
2025	2.320%	454,000	20,532	474,532
2026	2.320%	431,000	9,999	440,999
		<u>\$ 3,789,000</u>	<u>\$ 450,243</u>	<u>\$ 4,239,243</u>

State Loan

In 2007, the Township received approval for a loan up to \$4,672,696. The proceeds were utilized to partially fund the sewer expansion project. The loan bears interest at a rate of 2.00% per annum, and payments are due monthly.

Future principal and interest payments at December 31, 2017, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Maximum Interest</u>	<u>Totals</u>
2018	\$ 221,661	\$ 43,230	\$ 264,891
2019	246,489	42,484	288,973
2020	251,464	37,509	288,973
2021	256,540	32,433	288,973
2022	261,718	27,255	288,973
2023	267,000	21,973	288,973
2024	272,390	16,583	288,973
2025	277,888	11,085	288,973
2026	283,497	5,476	288,973
2027	119,805	600	120,405
	<u>\$ 2,458,452</u>	<u>\$ 238,628</u>	<u>\$ 2,697,080</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description

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

Management of the plan is vested in the Police Pension Board, which consists of eight members--the Township Manager, the Assistant Township Manager, the Finance Director/Treasurer, one member of the Board of Commissioners, two police officers, an advisor from PFM Advisors and one resident appointed by the Board of Commissioners. The Police Pension Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Commissioners as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>20</u>
	<u><u>36</u></u>

Benefits Provided - The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. Benefits are 100% vested after 12 years of credited service. Employees who retire at or after age 50 with 25 years of service are entitled to an annual retirement benefit in an amount equal to 50% of final salary. Final salary is determined to be the average annual compensation during the last three years of service prior to the effective date of retirement.

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

The plan has no provision for early retirement but has provisions for late retirement and pre-retirement death benefits.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

As a condition of participation, participants are not required to make contributions to the plan.

In 2017, the MMO obligation for the plan was \$737,046 for the year 2017. Contributions of \$737,046 were made by the Township.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township’s employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan’s policy in regard to the allocation of invested assets is established and may be amended by the Township’s Board of Commissioners. It is policy to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	39.00%
International Equity	15.00%
Emerging Equity	6.00%
Core Fixed	29.00%
Interm IG Corp	2.75%
Bank Loans	2.75%
High Yield	2.75%
Emerging Debt	<u>2.75%</u>
	<u>100.00%</u>

Concentrations - More than 5% of the Township’s investments are in mutual funds. These investments are 100% of the plan’s total investments.

UPPER GWYNEDD TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2017

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

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 14.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 14,105,354
Plan fiduciary net position	<u>(13,748,643)</u>
NET PENSION LIABILITY	\$ <u>356,711</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>97.47%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	4.5% annual increase
Investment rate of return	7%

Mortality rates were based on the RP-2014 Table.

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

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	5.2%
International Equity	5.2%
Emerging Equity	5.7%
Real Estate	0.0%
Core Fixed	3.0%
Interm IG Corp	3.8%
Bank Loans	2.7%
High Yield	4.3%
Emerging Debt	4.8%

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

Changes in Assumptions – In the 2017 actuarial valuation, the mortality rates were based on the RP-2014 Tables. In prior years, the mortality rates were based on the RP-2000 Tables.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Changes in the Net Pension Liability

	Governmental Activities:		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2016	\$ 13,025,595	\$ 11,761,728	\$ 1,263,867
Changes for the year			
Service cost	313,994	-	313,994
Interest cost	916,312	-	916,312
Changes of assumptions	348,276	-	348,276
Contributions			
Employer	-	737,046	(737,046)
Net investment income	-	1,820,133	(1,820,133)
Benefit payments	(498,823)	(498,823)	-
Administrative expenses	-	(71,441)	71,441
Net Changes	<u>1,079,759</u>	<u>1,986,915</u>	<u>(907,156)</u>
Balance at December 31, 2017	<u>\$ 14,105,354</u>	<u>\$ 13,748,643</u>	<u>\$ 356,711</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension liability	\$ <u>2,236,687</u>	\$ <u>356,711</u>	\$ <u>(1,189,336)</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

For the year ended December 31, 2017, the Township recognized pension expense of \$480,561. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 55,634	\$ 154,894
Changes in actuarial assumptions	285,524	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>465,231</u>
	<u>\$ 341,158</u>	<u>\$ 620,125</u>

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

<u>Year Ending December 31</u>	<u>Governmenta Activities</u>
2018	\$ 7,970
2019	(20,993)
2020	(150,378)
2021	(150,082)
2022	34,516

NOTE G - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

At December 31, 2017, plan assets at fair value were \$4,597,023. These assets are not included in these financial statements.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE H - DEFINED CONTRIBUTION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

The Township sponsors a Non-Uniformed Employees' Pension Plan for municipal employees of the Township.

Plan Description - The Township sponsors a Public Employee Retirement System (PERS) to provide pension benefits for non-uniformed employees of the Township.

Effective January 1, 1992, the Township converted its Non-Uniformed Employees' Pension Plan from a defined benefit plan to a defined contribution plan. As a result, all vested benefits under the old plan were transferred to member accounts in the new plan.

All regular, full-time employees who have attained the age of 21 shall be members of the plan. The Township contributes 5% of pay on behalf of each member. In addition, members may elect to make voluntary contributions to the plan up to 10% of pay. The Township's contribution for 2017 was \$133,754, of which \$110,840 was funded by state contributions and \$22,914 by the Township.

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Summary of Significant Accounting Policies

The OPEB Plan investments are carried at fair value as reported by the investment managers. Financial information of the Township's OPEB Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due.

Plan Administration - The Township provides health benefits to eligible retired police officers and spouses through a single-employer defined benefit plan. The objective of the plan is to provide members with a benefit payment of \$350 per month for medical insurance premiums. The member is required to contribute the difference between \$350 per month and the actual medical insurance premium. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the plan is vested in the Police Pension Board, which consists of eight members--the Township Manager, the Assistant Township Manager, the Finance Director/Treasurer, one member of the Board of Commissioners, two police officers, an advisor from PFM Advisors and one resident appointed by the Board of Commissioners. The Police Pension Board is responsible for advising, reviewing, monitoring and making recommendations to the Board of Commissioners as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	0
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	21
	<hr/>
	<u>21</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Benefits Provided - The plan is a contributory, single-employer postretirement benefits plan that covers all full-time uniformed police officers of the Township. The plan provides postretirement medical benefits upon retirement to plan members and their beneficiaries, pursuant to Township ordinances and the collective bargaining agreement between the Township and the Police officers. The plan can be amended by the municipality through its Ordinances and union contracts. The plan is administered by a plan administrator appointed by the governing body of the municipality.

Benefit Eligibility - An officer who retires from the police pension plan after age 50 and 25 years of service is eligible for postretirement medical benefits under the plan. Benefits under this plan will cease at age 65. A member may elect to withdraw his contributions and interest and thereby forfeit the medical coverage under the plan.

Medical Coverage - Medical coverage under the plan for eligible retirees will be provided through reimbursement of medical premiums incurred for the retired member and his spouse up to \$350 per month.

Death Benefits - Upon the death of a retired officer, his designated beneficiary will be eligible to receive a refund of his member contributions and interest, reduced by any payments made under the plan.

Disability Benefits - If a member is disabled, he will be eligible for medical coverage under the plan at his normal retirement date under the police pension plan (age 50 and 25 years from his hire date) if he maintains his member contributions on a current basis.

Termination of Employment - If a member terminates employment prior to death, disability or retirement, he will receive a refund of his member contributions and interest.

Funding Policy

Active officers will contribute 1% of their compensation to the plan. The Township is required to pay an actuarially determined amount to support the payment of \$350 per month for each member. The costs of administering the plan are paid by the Township.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Township's Board of Commissioners. It is policy to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of December 31, 2017:

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

U.S. Equity	20.00%
International Equity	10.00%
Fixed income	<u>70.00%</u>
	<u><u>100.00%</u></u>

Concentrations - More than 5% of the Township's investments are in mutual funds. These investments are 100% of the plan's total investments.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the net OPEB liability of the plan at December 31, 2017, were as follows:

Total OPEB liability	\$ 322,538
Plan fiduciary net position	<u>(312,318)</u>
NET OPEB LIABILITY	\$ <u><u>10,220</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>96.83%</u></u>
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Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	4.5% annual increase
Investment rate of return	5%

Mortality rates were based on the RP-2014 Table.

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

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	5.2%
International Equity	5.2%
Fixed income	3.0%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. As a result, the discount rate is based on the long-term expected rate of return on OPEB plan investments of 6.0% as of December 31, 2017.

Changes in the Net OPEB Liability

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balance at December 31, 2016	\$ 291,243	\$ 283,064	\$ 8,179
Changes for the year			
Service cost	13,038	-	13,038
Interest cost	18,257	-	18,257
Contributions			
Employer	-	5,000	(5,000)
Employee	-	18,754	(18,754)
Net investment income	-	15,842	(15,842)
Administrative expenses	-	(10,342)	10,342
Net Changes	<u>31,295</u>	<u>29,254</u>	<u>2,041</u>
Balance at December 31, 2017	<u>\$ 322,538</u>	<u>\$ 312,318</u>	<u>\$ 10,220</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the Township, calculated using the discount rate of 6%, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5%) or one percentage point higher (7%) than the current rate:

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
Net OPEB liability	\$ <u>27,992</u>	\$ <u>10,220</u>	\$ <u>(6,307)</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The schedule of the impact on the net OPEB liability if it were calculated using a medical inflation (trend) rate that is 1% higher and lower than the current medical trend rate is not required, as plan benefits are a flat dollar amount and therefore not affected by medical inflation.

Employer Disclosures in accordance with GASB Statement No. 45

Annual OPEB Cost and Net OPEB Obligation

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

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

Annual required contribution	\$ 4,113
Contributions made	<u>(5,000)</u>
Increase in the net OPEB obligation	(887)
Net OPEB obligation at beginning of year	<u>-</u>
Net OPEB obligation at end of year	<u><u>\$ (887)</u></u>

Three-Year Trend

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Asset</u>
2015	\$ -	0%	\$ -
2016	-	0%	-
2017	4,113	122%	(887)

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$309,131 and the actuarial value of assets was \$271,938, all of which was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,250,480, and the ratio of the UAAL to the covered payroll was 1.7%.

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

Methods and Assumptions

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

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

In the January 1, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets. The UAAL is being amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded actuarial liability (actuarial gains and losses, plan amendments, changes in assumptions, etc.). If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the plan's financial requirement.

NOTE J - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers were comprised of the following amounts on an individual fund basis at December 31, 2017:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	<u>Transfers</u>	
			<u>In</u>	<u>Out</u>
GENERAL FUND	\$ 329,201	\$ 1,418,680	\$ 1,041,944	\$ 600,000
SPECIAL REVENUE FUNDS				
Fire Protection Fund	381,655	-	-	-
State Liquid Fuels Tax (Highway Aid) Fund	-	-	-	403,060
TOTAL SPECIAL REVENUE FUNDS	<u>381,655</u>	<u>-</u>	<u>-</u>	<u>403,060</u>
CAPITAL PROJECT FUNDS				
Capital Project Fund	-	-	14	-
Traffic Improvement Fund	-	-	-	50
Capital Reserve Fund	415,166	-	600,000	184,834
TOTAL CAPITAL PROJECT FUNDS	<u>415,166</u>	<u>-</u>	<u>600,014</u>	<u>184,884</u>
ENTERPRISE FUNDS				
Sewer Revenue Fund	621,859	162,565	-	224,000
Sewer Fund	2,107,486	329,201	-	230,014
Sewer Expansion Fund	-	1,944,921	-	-
TOTAL ENTERPRISE FUNDS	<u>2,729,345</u>	<u>2,436,687</u>	<u>-</u>	<u>454,014</u>
	<u>\$ 3,855,367</u>	<u>\$ 3,855,367</u>	<u>\$ 1,641,958</u>	<u>\$ 1,641,958</u>

Interfund receivables resulted from the time lag between the receipt of goods and the provision of services and the related reimbursement as a part of normal business operations. All balances are expected to be repaid within one year.

Unrestricted revenues of the Sewer Revenue Fund (\$224,000) were transferred to the General Fund to finance budgetary expenditures and administrative services provided. Unrestricted revenues of the Sewer Fund (\$230,014) were transferred to the General Fund (\$230,000) and Capital Projects Fund (\$14) to finance budgetary expenditures and administrative services provided.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Unrestricted revenues of the General Fund (\$600,000) were transferred to the Capital Reserve Fund to fund future capital projects.

Funds transferred in and out of the Special Revenue Funds were used as required by statutes or budgets for the funding of road projects and volunteer fire services.

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER GWYNEDD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 2,922,300	\$ 2,922,300	\$ 2,892,414	\$ (29,886)
Earned income taxes	4,767,000	4,767,000	4,930,503	163,503
Local services tax	738,000	738,000	804,487	66,487
Real estate transfer tax	425,000	425,000	788,589	363,589
Intergovernmental revenues	900,486	900,486	724,036	(176,450)
Licenses and permits	377,150	377,150	408,470	31,320
Fees and fines	47,000	47,000	50,241	3,241
Departmental earnings	695,500	695,500	958,026	262,526
Investment income and rents	30,000	30,000	61,503	31,503
Miscellaneous	6,500	6,500	56,243	49,743
TOTAL REVENUES	<u>10,908,936</u>	<u>10,908,936</u>	<u>11,674,512</u>	<u>765,576</u>
EXPENDITURES				
General government	1,829,224	1,829,224	1,776,492	52,732
Public safety	4,547,496	4,547,496	4,641,339	(93,843)
Parks and recreation	661,059	661,059	788,512	(127,453)
Highways	3,760,850	3,760,850	2,999,759	761,091
Insurance and employee benefits	862,646	862,646	872,564	(9,918)
Debt service				
Principal retirement	376,000	376,000	376,000	-
Interest paid	96,628	96,628	96,628	-
TOTAL EXPENDITURES	<u>12,133,903</u>	<u>12,133,903</u>	<u>11,551,294</u>	<u>582,609</u>
EXCESS (DEFICIENCY) OF REVENUES OF OVER EXPENDITURES	<u>(1,224,967)</u>	<u>(1,224,967)</u>	<u>123,218</u>	<u>1,348,185</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(200,000)	(200,000)	(600,000)	(400,000)
Operating transfers in	1,165,000	1,165,000	1,041,944	(123,056)
Proceeds from sale of fixed assets	25,000	25,000	12,658	(12,342)
TOTAL OTHER FINANCING SOURCES (USES)	<u>990,000</u>	<u>990,000</u>	<u>454,602</u>	<u>(535,398)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (234,967)</u>	<u>\$ (234,967)</u>	577,820	<u>\$ 812,787</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>8,474,666</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 9,052,486</u>	

UPPER GWYNEDD TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
YEAR ENDED DECEMBER 31, 2017

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and uses the Local Transportation Assistance Program (LTAP) criteria to assess the condition of the system. The streets are rated on their life expectancy before milling and overlay work is needed. The rating is the probable number of years remaining before resurfacing work is needed. The Township's streets as a whole are given an overall rating, indicating the average condition of all streets operated by the Township. The assessment of condition is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Township's policy is to maintain the street condition at a level of 5.8 or better. The results of the inspection were:

<u>Evaluation Period</u>	<u>Rating</u>
2010	7.8
2013	6.9
2016	6.2

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

	<u>Budget</u>	<u>Actual</u>
2013	\$ 870,500	\$ 519,192
2014	1,210,470	328,330
2015	995,950	581,318
2016	1,083,663	948,247
2017	692,500	618,849

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 313,994	\$ 282,430	\$ 334,046	\$ 292,665
Interest	916,312	862,768	820,482	796,330
Differences between expected and actual experience	-	86,978	(286,531)	-
Changes of assumptions	348,276	-	-	-
Benefit payments	<u>(498,823)</u>	<u>(498,822)</u>	<u>(498,822)</u>	<u>(498,822)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,079,759	733,354	369,175	590,173
Total pension liability, beginning	<u>13,025,595</u>	<u>12,292,241</u>	<u>11,923,066</u>	<u>11,332,893</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 14,105,354</u>	<u>\$ 13,025,595</u>	<u>\$ 12,292,241</u>	<u>\$ 11,923,066</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
Net investment income	1,820,133	702,217	102,556	561,678
Benefit payments, including refunds of member contributions	(498,823)	(498,822)	(498,822)	(498,822)
Administrative expense	<u>(71,441)</u>	<u>(65,902)</u>	<u>(89,121)</u>	<u>(65,350)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,986,915	862,125	282,391	487,289
Plan fiduciary net position, beginning	<u>11,761,728</u>	<u>10,899,603</u>	<u>10,617,212</u>	<u>10,129,923</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 13,748,643</u>	<u>\$ 11,761,728</u>	<u>\$ 10,899,603</u>	<u>\$ 10,617,212</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 356,711</u>	<u>\$ 1,263,867</u>	<u>\$ 1,392,638</u>	<u>\$ 1,305,854</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>97.47%</u>	<u>90.30%</u>	<u>88.67%</u>	<u>89.05%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,180,743</u>	<u>\$ 2,132,118</u>	<u>\$ 2,011,419</u>	<u>\$ 2,054,865</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>16.36%</u>	<u>59.28%</u>	<u>69.24%</u>	<u>63.55%</u>

NOTES TO SCHEDULE

Changes of assumptions. In the 2017 actuarial valuation, the mortality assumption was changed from the RP-2000 Table to the RP-2014 Table.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>737,046</u>	<u>724,632</u>	<u>767,778</u>	<u>489,783</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,180,743</u>	<u>\$ 2,132,118</u>	<u>\$ 2,011,419</u>	<u>\$ 2,054,865</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>33.80%</u>	<u>33.99%</u>	<u>38.17%</u>	<u>23.84%</u>

NOTES TO SCHEDULE

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

Methods and assumptions used to determine contribution rates:

Valuation date:	January 1, 2015	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	4 years	6 years
Asset valuation method	Four-year smoothing period	Five-year smoothing period
Inflation	2.5%	3.0%
Salary increases	4.5% annual increase	4.5% annual increase
Investment rate of return	7.0%	7.0%
Retirement age	Normal retirement age	Normal retirement age
Mortality	RP 2000 Table	RP 2000 Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>14.81%</u>	<u>6.37%</u>	<u>0.96%</u>	<u>5.53%</u>

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET OPEB
PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2017

TOTAL OPEB LIABILITY	
Service cost	\$ 13,038
Interest	18,257
NET CHANGE IN TOTAL OPEB LIABILITY	<u>31,295</u>
Total OPEB liability, beginning	<u>291,243</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u><u>\$ 322,538</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 5,000
Employee	18,754
Net investment income	15,842
Administrative expense	<u>(10,342)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>29,254</u>
Plan fiduciary net position, beginning	<u>283,064</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 312,318</u></u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u><u>\$ 10,220</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u><u>96.83%</u></u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 2,250,480</u></u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>0.45%</u></u>

NOTES TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF OPEB PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017

ACTUARIALLY DETERMINED CONTRIBUTION	\$ 4,113
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>(5,000)</u>
CONTRIBUTION DEFICIENCY	<u>\$ (887)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,250,480</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>-0.22%</u>

NOTES TO SCHEDULE

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

Methods and assumptions used to determine contribution rates:

Valuation date:	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	4.5% annual increase
Investment rate of return	5.0%
Retirement age	Normal retirement age
Mortality	RP 2014 Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2017

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

8.45%

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

UPPER GWYNEDD TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FUNDING PROGRESS

Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ 239,480	\$ 171,105	\$ (68,375)	140.0%	\$ 1,830,380	-3.7%
2011	247,499	139,260	(108,239)	177.7%	1,876,432	-5.8%
2017	271,938	309,131	37,193	88.0%	2,250,480	1.7%

SCHEDULE OF EMPLOYER AND OTHER ENTITY CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution (ARC)	Contributions from Employer	Contributions from Members	Percentage Contributed
2012	\$ -	\$ -	\$ 18,304	100%
2013	-	-	18,304	100%
2014	-	-	18,304	100%
2015	-	-	18,764	100%
2016	-	-	18,764	100%
2017	4,113	5,000	18,754	122%

SUPPLEMENTARY INFORMATION SECTION

UPPER GWYNEDD TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds	Capital Project Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 845,503	\$ 90,438	\$ 935,941
Due from other funds	<u>381,655</u>	<u>415,166</u>	<u>796,821</u>
TOTAL ASSETS	<u>\$ 1,227,158</u>	<u>\$ 505,604</u>	<u>\$ 1,732,762</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 13,650</u>	<u>\$ -</u>	<u>\$ 13,650</u>
FUND BALANCES			
Restricted			
Highway and street projects	231,567	-	231,567
Fire protection	981,941	-	981,941
Assigned			
Capital projects	<u>-</u>	<u>505,604</u>	<u>505,604</u>
TOTAL FUND BALANCES	<u>1,213,508</u>	<u>505,604</u>	<u>1,719,112</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,227,158</u>	<u>\$ 505,604</u>	<u>\$ 1,732,762</u>

UPPER GWYNEDD TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Real estate taxes, net	\$ 227,543	\$ -	\$ 227,543
Intergovernmental revenues	461,775	-	461,775
Investment income and rents	4,366	301	4,667
TOTAL REVENUES	<u>693,684</u>	<u>301</u>	<u>693,985</u>
EXPENDITURES			
Public safety	<u>165,412</u>	<u>-</u>	<u>165,412</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>528,272</u>	<u>301</u>	<u>528,573</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(403,060)	(184,884)	(587,944)
Operating transfers in	<u>-</u>	<u>600,014</u>	<u>600,014</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(403,060)</u>	<u>415,130</u>	<u>12,070</u>
NET CHANGE IN FUND BALANCES	125,212	415,431	540,643
FUND BALANCES AT BEGINNING OF YEAR	<u>1,088,296</u>	<u>90,173</u>	<u>1,178,469</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,213,508</u>	<u>\$ 505,604</u>	<u>\$ 1,719,112</u>

UPPER GWYNEDD TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	Fire Protection Fund	State Liquid Fuels Tax (Highway Aid) Fund	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 600,286	\$ 245,217	\$ 845,503
Due from other funds	<u>381,655</u>	<u>-</u>	<u>381,655</u>
TOTAL ASSETS	<u>\$ 981,941</u>	<u>\$ 245,217</u>	<u>\$ 1,227,158</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 13,650</u>	<u>\$ 13,650</u>
FUND BALANCES			
Restricted			
Highway and street projects	-	231,567	231,567
Fire protection	<u>981,941</u>	<u>-</u>	<u>981,941</u>
TOTAL FUND BALANCES	<u>981,941</u>	<u>231,567</u>	<u>1,213,508</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 981,941</u>	<u>\$ 245,217</u>	<u>\$ 1,227,158</u>

UPPER GWYNEDD TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Fire Protection Fund</u>	<u>State Liquid Fuels Tax (Highway Aid) Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES			
Real estate taxes, net	\$ 227,543	\$ -	\$ 227,543
Intergovernmental revenues	-	461,775	461,775
Investment income and rents	2,946	1,420	4,366
TOTAL REVENUES	<u>230,489</u>	<u>463,195</u>	<u>693,684</u>
EXPENDITURES			
Public safety	<u>165,412</u>	<u>-</u>	<u>165,412</u>
EXCESS OF REVENUES OVER EXPENDITURES	65,077	463,195	528,272
OTHER FINANCING USES			
Operating transfers out	<u>-</u>	<u>(403,060)</u>	<u>(403,060)</u>
NET CHANGE IN FUND BALANCES	65,077	60,135	125,212
FUND BALANCES AT BEGINNING OF YEAR	<u>916,864</u>	<u>171,432</u>	<u>1,088,296</u>
FUND BALANCES AT END OF YEAR	<u>\$ 981,941</u>	<u>\$ 231,567</u>	<u>\$ 1,213,508</u>

UPPER GWYNEDD TOWNSHIP
BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2017

	<u>Capital Projects Fund</u>	<u>Traffic Improvement Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Capital Project Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 90,438	\$ 90,438
Due from other funds	<u>-</u>	<u>-</u>	<u>415,166</u>	<u>415,166</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 505,604</u></u>	<u><u>\$ 505,604</u></u>
FUND BALANCE				
Assigned				
Capital projects	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 505,604</u></u>	<u><u>\$ 505,604</u></u>

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2017

	Capital Projects Fund	Traffic Improvement Fund	Capital Reserve Fund	Total Capital Project Funds
REVENUES				
Investment income and rents	\$ -	\$ -	\$ 301	\$ 301
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	(50)	(184,834)	(184,884)
Operating transfers in	14	-	600,000	600,014
TOTAL OTHER FINANCING SOURCES (USES)	14	(50)	415,166	415,130
NET CHANGE IN FUND BALANCE	14	(50)	415,467	415,431
FUND BALANCE AT BEGINNING OF YEAR	(14)	50	90,137	90,173
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 505,604	\$ 505,604