

UPPER GWYNEDD TOWNSHIP

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022



INTRODUCTORY SECTION

UPPER GWYNEDD TOWNSHIP

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**Upper Gwynedd Township
1 Parkside Place
North Wales, PA 19454-2526**

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, 2022.

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, 2022, 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, 2022, 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,

Sandra Zadell
Township Manager

(Date)

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Commissioners
Upper Gwynedd Township
North Wales, Pennsylvania

Opinions

We have audited the 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, 2022, 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.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Gwynedd Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As disclosed in Note L, for the year ended December 31, 2022, Upper Gwynedd Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Upper Gwynedd Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Gwynedd Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 8 through 17, budgetary comparison information on page 59, trend data on infrastructure condition on page 60, pension plan information on pages 61 through 63 and other postemployment benefits other than pension information on pages 64 through 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Commissioners
Upper Gwynedd Township
North Wales, Pennsylvania

Supplementary 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 Nonmajor Governmental Funds Combining Balance Sheet and Combining Schedule of Revenues, Expenditures and Changes in Fund Balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above 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 identified above 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.

A handwritten signature in black ink, appearing to read "Mailli UF". The signature is written in a cursive, flowing style.

Limerick, Pennsylvania
March 9, 2024

UPPER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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, 2022. 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 2022 was \$16,167,547. Compared to the prior year, the fund balance improved by \$2,188,461 or 13%. This year on year improvement in fund balance indicates the continued financial soundness of the Township.

Throughout the year, Township staff were tasked with dedicating their efforts to prioritize essential services that our residents rely on, such as clean water, public safety, transportation, parks and trails, and community organizations. Staff diligently worked to strike a balance between community needs and services, implementing sound financial planning and project prioritization while remaining within the confines of the Township's current resources.

Township Staff worked diligently alongside our appointed Engineers on three major, multiyear infrastructure projects. The first involves replacing the Sumneytown Pike Bridge over the Wissahickon, partially funded by a \$1.2 million grant from the state Multimodal Transportation Fund. The second project focuses on the Haines Run Streambank restoration, enhancing water quality and preventing downstream flooding, utilizing the \$366,000 in grant funding secured. The third project, the Villages Spray Lining Project, aims to line aging stormwater pipes to prevent sinkholes and degradation, with the Township allocating \$700,000 for this purpose. The pipe relining allows the Township to provide residents with extended life of current infrastructure at a much more reduced cost, little to no interruption of roadways and services as underground utilities will not need to be relocated in order to removed and replace piping.

In 2021, the Township successfully concluded the Wastewater Improvement Project, incorporating numerous adjustments to both the plant and the collection system to accommodate the increased wastewater flow to the treatment plant. Following the installation and activation of all equipment, several unexpected challenges arose. Due to the biological nature of wastewater treatment, predicting how biology responds to new flow poses challenges. Treatment plant staff identified several modifications necessary to fully adapt to this increased flow and uphold effluent quality within the limits of our permit issued by the Pennsylvania Department of Environmental Protection (PA DEP). The adjustments were crucial for ensuring the wastewater treatment plant's ability to consistently produce high-quality effluent, enhance stream quality, and comply with PA DEP permit limits.

Given the Township's commitment to building and maintaining robust reserves, funding for this request of \$3,496,700 was able to be provided for through our Reserve funding, circumventing additional expenses linked to any Debt Service vehicle. However, in continuing past practices of focusing on fiscal responsibility, the Township instituted a 10-year repayment schedule to reimburse borrowed funds to Reserves, ensuring ongoing budgetary stability.

Looking ahead, the Township initiated plans for the replacement of all Township streetlights with LED lighting in 2022, with the project anticipated to be realized in 2023. This initiative is projected to generate cost savings of over \$250,000 over the next decade.

UPPER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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 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, 2022

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 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	\$4,159,884
Sewer Revenue Fund	\$1,542,241

UPPER GWYNEDD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 22,933,165	\$ 11,715,267	\$ 34,648,432
Capital assets	37,230,756	42,539,768	79,770,524
TOTAL ASSETS	60,163,921	54,255,035	114,418,956
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net	24,471	-	24,471
Deferred outflows of resources, pension and OPEB activity	2,902,319	-	2,902,319
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,926,790	-	2,926,790
LIABILITIES			
Current and other liabilities	2,852,230	2,150,026	5,002,256
Long-term liabilities	3,963,287	5,530,616	9,493,903
TOTAL LIABILITIES	6,815,517	7,680,642	14,496,159
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, leases and OPEB activity	792,806	-	792,806
NET POSITION			
Net investment in capital assets	35,440,227	41,299,400	76,739,627
Restricted	673,239	-	673,239
Unrestricted	19,368,922	5,274,993	24,643,915
TOTAL NET POSITION	\$ 55,482,388	\$ 46,574,393	\$ 102,056,781

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

UPPER GWYNEDD TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2022**

Table 2
Condensed Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	\$ 23,411,372	\$ 11,644,601	\$ 35,055,973
Capital assets	36,090,184	41,432,524	77,522,708
TOTAL ASSETS	<u>59,501,556</u>	<u>53,077,125</u>	<u>112,578,681</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net	30,997	-	30,997
Deferred outflows of resources, pension and OPEB activity	<u>280,896</u>	<u>-</u>	<u>280,896</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>311,893</u>	<u>-</u>	<u>311,893</u>
LIABILITIES			
Current and other liabilities	2,468,827	490,823	2,959,650
Long-term liabilities	<u>2,653,343</u>	<u>7,038,115</u>	<u>9,691,458</u>
TOTAL LIABILITIES	<u>5,122,170</u>	<u>7,528,938</u>	<u>12,651,108</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension and OPEB activity	<u>2,052,361</u>	<u>-</u>	<u>2,052,361</u>
NET POSITION			
Net investment in capital assets	33,899,181	39,902,469	73,801,650
Restricted	1,350,991	-	1,350,991
Unrestricted	<u>17,388,746</u>	<u>5,645,718</u>	<u>23,034,464</u>
TOTAL NET POSITION	<u>\$ 52,638,918</u>	<u>\$ 45,548,187</u>	<u>\$ 98,187,105</u>

UPPER GWYNEDD TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2022****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, 2022

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	\$ 1,780,657	\$ 5,702,125	\$ 7,482,782
Operating grants and contributions	1,894,940	-	1,894,940
General revenues			
Taxes	12,694,613	-	12,694,613
Other	544,508	60,691	605,199
Transfers	(683,171)	683,171	-
TOTAL REVENUES	<u>16,231,547</u>	<u>6,445,987</u>	<u>22,677,534</u>
EXPENSES			
General administration	2,707,294	-	2,707,294
Public safety	6,278,940	-	6,278,940
Parks and recreation	1,305,366	-	1,305,366
Highways	3,064,141	-	3,064,141
Interest on long-term debt	32,336	-	32,336
Operating expenses	-	5,419,781	5,419,781
TOTAL EXPENSES	<u>13,388,077</u>	<u>5,419,781</u>	<u>18,807,858</u>
CHANGE IN NET POSITION	2,843,470	1,026,206	3,869,676
NET POSITION, BEGINNING OF YEAR	<u>52,638,918</u>	<u>45,548,187</u>	<u>98,187,105</u>
NET POSITION, END OF YEAR	<u>\$ 55,482,388</u>	<u>\$ 46,574,393</u>	<u>\$ 102,056,781</u>

For more detailed information, see the statement of activities on page 19 of the annual financial report.

UPPER GWYNEDD TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2022**

Table 4
Changes in Net Position
Year Ended December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
REVENUES			
Program revenues			
Charges for services	\$ 1,586,753	\$ 5,474,317	\$ 7,061,070
Operating grants and contributions	1,216,692	-	1,216,692
Capital grants and contributions	26,095	1,087,440	1,113,535
General revenues			
Taxes	11,307,740	-	11,307,740
Other	159,143	5,160	164,303
Transfers	441,000	(441,000)	-
TOTAL REVENUES	<u>14,737,423</u>	<u>6,125,917</u>	<u>20,863,340</u>
EXPENSES			
General administration	2,626,646	-	2,626,646
Public safety	5,465,515	-	5,465,515
Parks and recreation	1,191,734	-	1,191,734
Insurance and employee benefits	-	-	-
Highways	2,301,600	-	2,301,600
Interest on long-term debt	104,010	-	104,010
Operating expenses	-	5,728,838	5,728,838
TOTAL EXPENSES	<u>11,689,505</u>	<u>5,728,838</u>	<u>17,418,343</u>
CHANGE IN NET POSITION	3,047,918	397,079	3,444,997
NET POSITION, BEGINNING OF YEAR	<u>49,591,000</u>	<u>45,151,108</u>	<u>94,742,108</u>
NET POSITION, END OF YEAR	<u>\$ 52,638,918</u>	<u>\$ 45,548,187</u>	<u>\$ 98,187,105</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary adjustments and supplemental appropriations in 2022 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, 2022

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, 2022, totals \$127,795,364. 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)

	Governmental Activities	Business-Type Activities
Land	\$ 3,960	\$ -
Sewer plant	-	40,717
Construction in progress	1,617	20,536
Land improvements	3,577	-
Buildings and improvements	5,801	-
Equipment, furniture and vehicles	7,194	12,596
Infrastructure	31,798	-
Accumulated depreciation	(16,716)	(31,309)
TOTAL	\$ 37,231	\$ 42,540

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 2022, the Township expended \$762,617 for road and street maintenance. Major road work, including paving and micro surfacing, was completed on Broad Street from Garfield Avenue to Morris Road, and all of Moyer Boulevard. 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, 2022

Debt

At year-end 2022, the Township had \$8,094,617 (see Figure A-2) in outstanding debt. The debt service due within one year is \$1,204,001.

Figure A-2
Outstanding Long-Term Debt

General Obligation Note	\$ <u>6,874,000</u>
Pennworks Loan	\$ <u>1,220,617</u>
Net OPEB Liability	\$ <u>401,887</u>
Net Pension Liability	\$ <u>2,201,400</u>
Compensated Absences	\$ <u>80,104</u>

ECONOMIC FACTORS IMPACTING FUTURE BUDGETS

Upper Gwynedd Township is situated approximately 18 miles northwest of center city Philadelphia in Montgomery County. Covering an area of around 8.05 square miles, the Township hosts a residential population of approximately 17,153, based on the 2022 U.S. Census data. There is a presumption of minor (uncounted) population growth since the 2022 Census. Despite the broader trend of residents relocating in the Northeastern United States, particularly to more southern states, Upper Gwynedd has managed to maintain and slightly increase its residential population.

The Township, along with the surrounding communities, continues to constitute a dynamic region that serves as an appealing workplace. Although Upper Gwynedd Township's overall daytime population has not yet reverted to its pre-pandemic levels, major employers like Merck & Co., Inc., have initiated a gradual return-to-work plan. As more significant businesses, including smaller enterprises, resume operations, it is anticipated that daytime population numbers will return to approximately 15,000 people, resembling pre-pandemic figures, by the 2023 fiscal year.

The Russian invasion of Ukraine caused widespread devastation within Ukraine and had profound and lasting effects on the global economy throughout the year. According to the UK's National Institute of Economic and Social Research, the conflict resulted in an estimated setback of \$1 trillion to the world economy and a 3% increase in global inflation. Immediate impacts of the conflict were evident in surging prices in energy, as well as other markets like wheat and nickel.

Efforts to facilitate peace talks involved imposing sanctions on Russia; however, given Russia's status as the 11th largest global economy, excluding it from the global financial system is likely to result in collateral damage. The economic consequences of the conflict reverberated across various sectors, with sharp increases in prices observed in energy and other essential commodities, highlighting the interconnectedness of the global economy.

UPPER GWYNEDD TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

Throughout the year, discussions within the Township were consistently dominated by the issue of inflation, particularly as annual inflation reached its highest point in 40 years in June. On a year-over-year (YoY) basis, the total Consumer Price Index (CPI) surged by 9.1%, surpassing the already elevated rate of 8.6% recorded in May. One of the primary factors contributing to this heightened inflation was the substantial increase in rental rates, rising by the most in 36 years at 5.8% YoY. This underscores the challenge of home affordability resulting from a competitive real estate market and the lingering effects of rent moratoriums over the past two years.

Throughout the year, news headlines consistently projected expectations for a record-breaking increase in inflation, fueled by escalating energy prices. This trend persisted as conflicts overseas continued with no apparent resolution in sight.

In response to substantial inflationary pressures, the Federal Reserve (Fed) implemented an assertive monetary policy, conducting significant rate hikes multiple times throughout the year. These Fed rate increases ranged from 50 to 75 basis points (bps) at each instance, representing the most aggressive hikes since 1994. Despite officials recognizing that tightening financial conditions could pose downside risks to economic growth, the primary focus remained on combating the unprecedented levels of inflation.

Keeping this in consideration, the Township actively explored avenues to tighten spending, taking into account the broader impact on the economy and the well-being of its residents. Initiatives such as Unplugged Week and the introduction of more budget-friendly family programs were implemented by the Parks and Recreation Department, providing no-cost to low-cost options for community engagement. Additionally, the Township collaborated with programs like the Low-Income Household Water Assistance Program (LIHWAP), Pennsylvania Housing Finance Agency (PHFA), and other government resources to establish assistance programs aimed at supporting lower-income residents in maintaining or regaining full-paid status for their utility billing.

However, just as residents are feeling the impact of the world economy, so too did the Township. The cost of goods and services increased rapidly, most notably in treating our wastewater. The aging infrastructure requiring attention, near-future replacement, and the rising cost associated with treatment may cause challenges considering current revenue streams. In the coming year, the Township will need to discuss and identify ways to reduce spending while increasing revenue stream via potential rate increases or lending solutions.

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, 1 Parkside Place, North Wales, PA 19454-2526, or by telephone at 215-699-7777.

Nathan Crittendon
Finance Director

UPPER GWYNEDD TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 19,069,320	\$ 11,241,189	\$ 30,310,509
Investments	17,179	69,834	87,013
Accrued investment income	368	466	834
Receivables	350,359	2,038,645	2,389,004
Due from fiduciary funds	825,841	-	825,841
Lease receivable	739,937	-	739,937
Taxes receivable	217,346	-	217,346
Internal balances	1,697,415	(1,697,415)	-
Prepaid expenses	15,400	62,548	77,948
Capital assets			
Land	3,959,692	-	3,959,692
Construction in progress	1,616,527	20,536,405	22,152,932
Land improvements, net	2,853,479	-	2,853,479
Buildings and improvements, net	2,854,496	-	2,854,496
Equipment, furniture and vehicles, net	1,212,352	13,825,856	15,038,208
Infrastructure, net	24,734,210	-	24,734,210
Sewer plant, net	-	8,177,507	8,177,507
TOTAL ASSETS	60,163,921	54,255,035	114,418,956
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding, net	24,471	-	24,471
Deferred outflows of resources, pension activity	2,841,197	-	2,841,197
Deferred outflows of resources, OPEB activity	61,122	-	61,122
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,926,790	-	2,926,790
LIABILITIES			
Accounts payable and accrued expenses	529,937	1,352,338	1,882,275
Payroll and withholding taxes payable	172,560	48,687	221,247
Unearned revenues	980,357	-	980,357
Escrow deposits	624,770	-	624,770
Accrued interest	9,502	-	9,502
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	80,104	-	80,104
Bonds and note payable	455,000	749,001	1,204,001
Portion due or payable after one year			
Bonds and note payable	1,360,000	5,530,616	6,890,616
Net pension liability	2,201,400	-	2,201,400
Net OPEB liability	401,887	-	401,887
TOTAL LIABILITIES	6,815,517	7,680,642	14,496,159
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	73,072	-	73,072
Deferred inflows of resources, leases	719,734	-	719,734
TOTAL DEFERRED INFLOWS OF RESOURCES	792,806	-	792,806
NET POSITION			
Net investment in capital assets	35,440,227	41,299,400	76,739,627
Restricted	673,239	-	673,239
Unrestricted	19,368,922	5,274,993	24,643,915
TOTAL NET POSITION	\$ 55,482,388	\$ 46,574,393	\$ 102,056,781

See accompanying notes to the basic financial statements.

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UPPER GWYNEDD TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,707,294	\$ 1,280,412	\$ 1,869,940	\$ -
Public safety	6,278,940	58,525	25,000	-
Parks and recreation	1,305,366	441,720	-	-
Highways	3,064,141	-	-	-
Interest on long-term debt	32,336	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>13,388,077</u>	<u>1,780,657</u>	<u>1,894,940</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Sewer Revenue Fund	151,757	1,542,241	-	-
Sewer Fund	4,973,480	4,159,884	-	-
Sewer Expansion Fund	294,544	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>5,419,781</u>	<u>5,702,125</u>	<u>-</u>	<u>-</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 18,807,858</u>	<u>\$ 7,482,782</u>	<u>\$ 1,894,940</u>	<u>\$ -</u>
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
\$ 443,058	\$ -	\$ 443,058
(6,195,415)	-	(6,195,415)
(863,646)	-	(863,646)
(3,064,141)	-	(3,064,141)
(32,336)	-	(32,336)
<u>(9,712,480)</u>	<u>-</u>	<u>(9,712,480)</u>
-	1,390,484	1,390,484
-	(813,596)	(813,596)
-	(294,544)	(294,544)
<u>-</u>	<u>282,344</u>	<u>282,344</u>
<u>(9,712,480)</u>	<u>282,344</u>	<u>(9,430,136)</u>
3,176,154	-	3,176,154
958,293	-	958,293
1,622,100	-	1,622,100
6,938,066	-	6,938,066
216,912	60,691	277,603
327,596	-	327,596
(683,171)	683,171	-
<u>12,555,950</u>	<u>743,862</u>	<u>13,299,812</u>
2,843,470	1,026,206	3,869,676
<u>52,638,918</u>	<u>45,548,187</u>	<u>98,187,105</u>
<u>\$ 55,482,388</u>	<u>\$ 46,574,393</u>	<u>\$ 102,056,781</u>

UPPER GWYNEDD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 15,544,053	\$ 3,525,267	\$ 19,069,320
Investments	17,179	-	17,179
Accrued investment income	368	-	368
Accounts receivable	350,359	-	350,359
Taxes receivable, net	217,346	-	217,346
Lease receivable	739,937	-	739,937
Due from other funds	1,697,415	229,835	1,927,250
Due from fiduciary funds	825,841	-	825,841
Prepaid expenses	15,400	-	15,400
TOTAL ASSETS	\$ 19,407,898	\$ 3,755,102	\$ 23,163,000
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 528,287	\$ 1,650	\$ 529,937
Payroll and withholding taxes payable	172,560	-	172,560
Due to other funds	214,643	15,192	229,835
Unearned revenue	980,357	-	980,357
Escrow deposits	624,770	-	624,770
TOTAL LIABILITIES	2,520,617	16,842	2,537,459
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, leases	719,734	-	719,734
FUND BALANCES			
Nonspendable, prepaid expenses	15,400	-	15,400
Restricted			
Highway and street projects	-	166,851	166,851
Fire protection	-	506,388	506,388
Assigned			
Capital projects	-	3,065,021	3,065,021
Unassigned	16,152,147	-	16,152,147
TOTAL FUND BALANCES	16,167,547	3,738,260	19,905,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,407,898	\$ 3,755,102	\$ 23,163,000

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, 2022

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 19,905,807
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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
Construction in progress	1,616,527
Land improvements, net of accumulated depreciation of \$723,367	2,853,479
Buildings and improvements, net of accumulated depreciation of \$2,946,245	2,854,496
Equipment, furniture and vehicles, net of accumulated depreciation of \$5,981,825	1,212,352
Infrastructure, not being depreciated	20,387,617
Infrastructure, net of accumulated depreciation of \$7,064,045	4,346,593
	<u>37,230,756</u>

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	44,049
Accumulated amortization	<u>(19,578)</u>
Total deferred charges on refunding	<u>24,471</u>

Deferred inflows and outflows related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds.

<u>2,829,247</u>

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, 2022, are:

Accrued interest on bonds	(9,502)
Bonds and note payable (Note E)	(1,815,000)
Net pension liability	(2,201,400)
Compensated absences	(80,104)
Net OPEB liability	(401,887)
	<u>(4,507,893)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>55,482,388</u>
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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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real estate taxes, net	\$ 2,946,319	\$ 229,835	\$ 3,176,154
Earned income taxes	6,938,066	-	6,938,066
Local services tax	958,293	-	958,293
Real estate transfer tax	1,622,100	-	1,622,100
Intergovernmental revenues	1,398,610	469,470	1,868,080
Licenses and permits	334,739	-	334,739
Fees and fines	36,412	-	36,412
Departmental earnings	1,360,912	-	1,360,912
Investment income	188,228	28,684	216,912
Miscellaneous	163,583	215,000	378,583
TOTAL REVENUES	<u>15,947,262</u>	<u>942,989</u>	<u>16,890,251</u>
EXPENDITURES			
General government	2,610,679	-	2,610,679
Public safety	5,660,736	996,624	6,657,360
Parks and recreation	1,595,536	-	1,595,536
Highways	3,403,336	-	3,403,336
Debt service			
Principal retirement	407,000	-	407,000
Interest paid	25,810	-	25,810
TOTAL EXPENDITURES	<u>13,703,097</u>	<u>996,624</u>	<u>14,699,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,244,165</u>	<u>(53,635)</u>	<u>2,190,530</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(683,171)	(603,000)	(1,286,171)
Operating transfers in	603,000	-	603,000
Proceeds from sale of fixed assets	24,467	-	24,467
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,704)</u>	<u>(603,000)</u>	<u>(658,704)</u>
NET CHANGE IN FUND BALANCES	2,188,461	(656,635)	1,531,826
FUND BALANCES AT BEGINNING OF YEAR	<u>13,979,086</u>	<u>4,394,895</u>	<u>18,373,981</u>
FUND BALANCES AT END OF YEAR	<u>\$ 16,167,547</u>	<u>\$ 3,738,260</u>	<u>\$ 19,905,807</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, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,531,826

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 (\$2,123,048) exceeds depreciation (\$982,476) in the current period (Note C).

1,140,572

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 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.

407,000

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

65,633

Pension plan expense

(318,256)

OPEB plan expense

16,101

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).

594

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,843,470

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,729,804	\$ 3,416,646	\$ 6,094,739	\$ 11,241,189
Investments	22,628	18,852	28,354	69,834
Accrued investment income	198	118	150	466
Accounts receivable	594,557	1,444,088	-	2,038,645
Due from other funds	1,563,940	2,080,188	-	3,644,128
Prepaid expenses	-	62,548	-	62,548
TOTAL CURRENT ASSETS	<u>3,911,127</u>	<u>7,022,440</u>	<u>6,123,243</u>	<u>17,056,810</u>
NONCURRENT ASSETS				
Capital assets	421,441	38,771,426	34,656,259	73,849,126
Accumulated depreciation	(196,516)	(25,737,043)	(5,375,799)	(31,309,358)
TOTAL NONCURRENT ASSETS	<u>224,925</u>	<u>13,034,383</u>	<u>29,280,460</u>	<u>42,539,768</u>
TOTAL ASSETS	<u>4,136,052</u>	<u>20,056,823</u>	<u>35,403,703</u>	<u>59,596,578</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	46,170	1,354,855	-	1,401,025
Due to other funds	280,903	5,060,640	-	5,341,543
Loan payable to other governments, current portion	-	267,001	-	267,001
Notes payable, current portion	-	482,000	-	482,000
TOTAL CURRENT LIABILITIES	<u>327,073</u>	<u>7,164,496</u>	<u>-</u>	<u>7,491,569</u>
NONCURRENT LIABILITIES				
Loan payable to other governments	-	953,616	-	953,616
Notes payable	-	4,577,000	-	4,577,000
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>5,530,616</u>	<u>-</u>	<u>5,530,616</u>
NET POSITION				
Net investment in capital assets	224,925	6,754,766	34,319,709	41,299,400
Unrestricted	<u>3,584,054</u>	<u>606,945</u>	<u>1,083,994</u>	<u>5,274,993</u>
TOTAL NET POSITION	<u>\$ 3,808,979</u>	<u>\$ 7,361,711</u>	<u>\$ 35,403,703</u>	<u>\$ 46,574,393</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, 2022

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
OPERATING REVENUES				
Sewer rents	\$ 1,542,066	\$ 3,986,424	\$ -	\$ 5,528,490
Connection fees	-	114,621	-	114,621
Other	175	58,839	-	59,014
TOTAL OPERATING REVENUES	<u>1,542,241</u>	<u>4,159,884</u>	<u>-</u>	<u>5,702,125</u>
COSTS OF SALES AND SERVICES				
Payments to Towamencin Municipal Authority for service charges and lease rentals	94,500	144,097	-	238,597
Payroll expenses	-	947,557	-	947,557
Plant utilities	-	393,542	-	393,542
Chemicals	-	470,302	-	470,302
Repairs and maintenance	44,201	375,291	-	419,492
Sludge removal	-	623,890	-	623,890
Other	1,392	101,449	95	102,936
TOTAL COSTS OF SALES AND SERVICES	<u>140,093</u>	<u>3,056,128</u>	<u>95</u>	<u>3,196,316</u>
ADMINISTRATIVE EXPENSES				
Professional fees	-	294,262	-	294,262
Insurance	-	164,341	-	164,341
Employee benefits	-	297,796	-	297,796
TOTAL ADMINISTRATIVE EXPENSES	<u>-</u>	<u>756,399</u>	<u>-</u>	<u>756,399</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,402,148	347,357	(95)	1,749,410
DEPRECIATION	<u>11,664</u>	<u>1,097,541</u>	<u>294,449</u>	<u>1,403,654</u>
OPERATING INCOME (LOSS)	<u>1,390,484</u>	<u>(750,184)</u>	<u>(294,544)</u>	<u>345,756</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	8,336	11,648	40,707	60,691
Interest expense	-	(63,412)	-	(63,412)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>8,336</u>	<u>(51,764)</u>	<u>40,707</u>	<u>(2,721)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,398,820	(801,948)	(253,837)	343,035
OPERATING TRANSFERS IN	<u>-</u>	<u>683,171</u>	<u>-</u>	<u>683,171</u>
CHANGE IN NET POSITION	1,398,820	(118,777)	(253,837)	1,026,206
NET POSITION AT BEGINNING OF YEAR	<u>2,410,159</u>	<u>7,480,488</u>	<u>35,657,540</u>	<u>45,548,187</u>
NET POSITION AT END OF YEAR	<u>\$ 3,808,979</u>	<u>\$ 7,361,711</u>	<u>\$ 35,403,703</u>	<u>\$ 46,574,393</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,484,743	\$ 4,202,017	\$ -	\$ 5,686,760
Other receipts	-	1,843,574	-	1,843,574
Payments to suppliers	(148,546)	(1,599,945)	(14,792)	(1,763,283)
Payments to employees	-	(1,245,353)	-	(1,245,353)
Internal activity, payments to other funds	(256,253)	2,381,447	(449,039)	1,676,155
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,079,944</u>	<u>5,581,740</u>	<u>(463,831)</u>	<u>6,197,853</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	-	683,171	-	683,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on notes	-	(518,000)	-	(518,000)
Principal paid on loan	-	(240,498)	-	(240,498)
Interest paid on loan	-	(63,412)	-	(63,412)
Purchase of capital assets	-	(2,042,087)	(468,811)	(2,510,898)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(2,863,997)</u>	<u>(468,811)</u>	<u>(3,332,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments, net	7,614	4,084	10,397	22,095
Investment income	8,336	11,648	40,707	60,691
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,950</u>	<u>15,732</u>	<u>51,104</u>	<u>82,786</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,095,894	3,416,646	(881,538)	3,631,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>633,910</u>	<u>-</u>	<u>6,976,277</u>	<u>7,610,187</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,729,804</u>	<u>\$ 3,416,646</u>	<u>\$ 6,094,739</u>	<u>\$ 11,241,189</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,390,484	\$ (750,184)	\$ (294,544)	\$ 345,756
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	11,664	1,097,541	294,449	1,403,654
Change in assets and liabilities				
Accounts receivable	(57,498)	76,010	-	18,512
Other receivables	-	1,843,574	-	1,843,574
Due from other funds	779,830	(836,757)	278,496	221,569
Accounts payable and accrued expenses	(8,453)	967,229	(14,697)	944,079
Deferred revenue	-	(33,877)	-	(33,877)
Due to other funds	(1,036,083)	3,218,204	(727,535)	1,454,586
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,079,944</u>	<u>\$ 5,581,740</u>	<u>\$ (463,831)</u>	<u>\$ 6,197,853</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Pension (and Other Employee Benefit) Trust Funds		
	Police Pension Fund	Police Medical Benefits Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,509,256	\$ 88,303	\$ 1,597,559
Investments	16,264,275	376,237	16,640,512
TOTAL ASSETS	<u>17,773,531</u>	<u>464,540</u>	<u>18,238,071</u>
LIABILITIES			
Accounts payable	1,149	-	1,149
Due to Township	825,841	-	825,841
TOTAL LIABILITIES	<u>826,990</u>	<u>-</u>	<u>826,990</u>
NET POSITION			
Restricted, held in trust for benefits and other purposes	<u>\$ 16,946,541</u>	<u>\$ 464,540</u>	<u>\$ 17,411,081</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, 2022

	Pension (and Other Employee Benefit) Trust Funds		
	Police Pension Fund	Police Medical Benefits Fund	Total Fiduciary Funds
ADDITIONS			
Contributions	\$ 654,803	\$ 86,383	\$ 741,186
Investment income (loss)	(3,427,132)	(53,352)	(3,480,484)
TOTAL ADDITIONS	<u>(2,772,329)</u>	<u>33,031</u>	<u>(2,739,298)</u>
DEDUCTIONS			
Benefit payments to retired plan participants	644,093	-	644,093
Administrative	73,226	8,009	81,235
TOTAL DEDUCTIONS	<u>717,319</u>	<u>8,009</u>	<u>725,328</u>
CHANGE IN NET POSITION	(3,489,648)	25,022	(3,464,626)
NET POSITION AT BEGINNING OF YEAR	<u>20,436,189</u>	<u>439,518</u>	<u>20,875,707</u>
NET POSITION AT END OF YEAR	<u>\$ 16,946,541</u>	<u>\$ 464,540</u>	<u>\$ 17,411,081</u>

See accompanying notes to the basic financial statements.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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 based on the foregoing criteria.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

Fiduciary Component Units

The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all full-time uniformed police officers. The Police Medical Benefits Fund is a single employer defined benefit other post-employment benefit plan that provides health benefits to eligible retired police officers and spouses. Although each plan is a separate legal entity it is reported as if it is part of the government as it is governed by a committee comprised of members appointed by the Township Board of Commissioners and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate 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.

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - The Capital Project Fund is comprised of the Capital Reserve Fund. The Capital Reserve Fund is used to account for financial resources to be used for various capital acquisitions.

The General Fund is reported as a major Governmental Fund.

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pension (and Other Employee Benefits) Trust Funds - Trust Funds are used to account for financial resources restricted solely for the uniformed retirement plan and the uniformed postemployment medical benefits plan.

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.

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental 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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is used by Enterprise Funds and Fiduciary 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.

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022.

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 performed a physical assessment of the condition of the roads as of December 31, 2022. This condition assessment will be performed every three years. Township roads consist of 51.27 miles.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Township is the lessor for noncancellable leases of cell tower land space. The Township recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At commencement of a lease, the Township initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Township determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Township uses its estimated incremental borrowing rates as the discount rate for leases.
- The lease term includes the noncancellable period of the lease plus renewal options that are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Township monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

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 three items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position, the deferred outflow related to pension activity, reported in the government-wide statement of net position and the deferred outflow related to OPEB 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, changes in actuarial assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow related to OPEB activity is the result of changes in actuarial assumptions, differences between projected and actual experience of the plan and differences between projected and actual earnings on plan investments.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 two items 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. Unavailable revenues related to leases are presented in both the governmental funds balance sheet as well as the government -wide statement of net position.

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.

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, 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, 12 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). Up to 8 days of sick time is allowed carryover from one year to the next.

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 lienied by January 15 with the county. As such, management has determined all amounts to be collectible as of December 31, 2022.

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.
- ***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, 2022, 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.

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UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, \$500,000 of the Township's bank balance of \$32,383,522 was insured by the FDIC. Of the remaining \$31,883,522, 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.

Investments

As of December 31, 2022, the Township had the following investments:

Investment Type	Total	Less Than 1 Year
GOVERNMENTAL ACTIVITIES		
Government National Mortgage Association	\$ 17,179	\$ -
	<u>\$ 17,179</u>	<u>\$ -</u>
PROPRIETARY ACTIVITIES		
Federal National Mortgage Association	\$ 4,556	\$ -
Government National Mortgage Association	65,278	-
	<u>\$ 69,834</u>	<u>\$ -</u>
FIDUCIARY ACTIVITIES		
Mutual funds	\$ 6,709,488	\$ 6,709,488
Real estate funds	186,256	186,256
Common stocks	9,744,768	9,744,768
	<u>\$ 16,640,512</u>	<u>\$ 16,640,512</u>

Investment Maturities			
1 to 5 Years	6 to 10 Years	11 to 15 Years	16 to 20 Years
\$ -	\$ -	\$ 17,179	\$ -
\$ -	\$ -	\$ 17,179	\$ -
\$ -	\$ -	\$ 4,556	\$ -
-	3,030	17,062	45,186
\$ -	\$ 3,030	\$ 21,618	\$ 45,186
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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 mutual funds and common stocks of \$6,709,488 and \$9,744,768, respectively, Level 2 investments in Government National Mortgage Association and Federal National Mortgage Association of \$82,457 and \$4,556, respectively, and Level 3 investments in Real Estate funds of \$186,256. Level 3 investments have limited trade information and are priced using the last trade price or estimated using recent trade prices.

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 - No investment in any one issuer is in excess of 5% of the Plan's total investments.

NOTE C - CAPITAL ASSETS

Capital assets are as follows:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,959,692	\$ -	\$ -	\$ 3,959,692
Construction in progress	812,710	1616,527	(812,710)	1616,527
Infrastructure	20,245,379	440,732	(298,494)	20,387,617
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	25,017,781	2,057,259	(1,111,204)	25,963,836
Capital assets being depreciated				
Land improvements	3,294,352	282,494	-	3,576,846
Infrastructure	10,891,679	518,959	-	11,410,638
Buildings and improvements	5,746,116	54,625	-	5,800,741
Equipment, furniture, and vehicles	6,873,262	320,915	-	7,194,177
TOTAL CAPITAL ASSETS BEING DEPRECIATED	26,805,409	1,176,993	-	27,982,402
Accumulated depreciation				
Land improvements	(697,784)	(25,583)	-	(723,367)
Infrastructure	(6,778,474)	(285,571)	-	(7,064,045)
Buildings and improvements	(2,809,891)	(136,354)	-	(2,946,245)
Equipment, furniture, and vehicles	(5,446,857)	(534,968)	-	(5,981,825)
TOTAL ACCUMULATED DEPRECIATION	(15,733,006)	(982,476)	-	(16,715,482)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	11,072,403	194,517	-	11,266,920
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 36,090,184	\$ 2,251,776	\$ (1,111,204)	\$ 37,230,756

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 20,067,594	\$ 468,811	\$ -	\$ 20,536,405
Capital assets being depreciated				
Sewer plant	34,781,507	1,752,169	-	36,533,676
Sewer lines	1,626,670	200,038	-	1,826,708
Engineering	2,356,166	-	-	2,356,166
Machinery and equipment	12,022,877	89,880	-	12,112,757
Vehicles	483,414	-	-	483,414
TOTAL CAPITAL ASSETS BEING DEPRECIATED	51,270,634	2,042,087	-	53,312,721
Accumulated depreciation				
Sewer plant	(23,151,866)	(932,139)	-	(24,084,005)
Sewer lines	(410,934)	(39,589)	-	(450,523)
Engineering	(697,063)	(58,904)	-	(755,967)
Machinery and equipment	(5,262,345)	(355,128)	-	(5,617,473)
Vehicles	(383,496)	(17,894)	-	(401,390)
TOTAL ACCUMULATED DEPRECIATION	(29,905,704)	(1,403,654)	-	(31,309,358)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	21,364,930	638,433	-	22,003,363
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 41,432,524	\$ 1,107,244	\$ -	\$ 42,539,768

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 235,594
Public safety	332,623
Parks and recreation	69,735
Highways	344,524
	<u>\$ 982,476</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - RECEIVABLES

Accounts receivable are comprised of the following:

	General Fund	Enterprise Funds
Property and transfer taxes	\$ 116,460	\$ -
Earned income taxes	100,886	-
Sewer rent	-	2,030,654
Lease receivable	739,937	-
Other receivable	350,359	7,991
	<u>\$ 1,307,642</u>	<u>\$ 2,038,645</u>

Lease Receivable

During the current year, Upper Gwynedd Township leased a portion of their real property for cell tower communications. The leases are for the following:

Description	Term	Payment Amount
Real Property	Monthly through March 2054	\$1,916 to \$4,934

As of December 31, 2022, Upper Gwynedd Township's receivable for lease payments was \$739,937. Also, Upper Gwynedd Township has a deferred inflow of resources associated with these leases that will be recognized as a revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$719,734. Lease related revenues recognized as of December 31, 2022 were as follows:

Lease-related Revenue	Year Ending December 31, 2022
Lease Revenue	
Real Property	\$ 2,289
Interest Revenue	<u>21,222</u>
TOTAL	<u>\$ 23,511</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - RECEIVABLES (Continued)

The future maturities of lease receivables are as follows:

Year Ending December 31,	Principal	Interest	Receipts
2023	\$ 2,044	\$ 22,172	\$ 24,216
2024	2,842	22,100	24,942
2025	3,687	22,003	25,690
2026	4,581	21,880	26,461
2027	5,525	21,730	27,255
2028-2032	43,721	105,322	149,043
2033-2037	76,316	96,465	172,781
2038-2042	118,246	82,055	200,301
2043-2047	171,667	60,537	232,204
2048-2052	239,185	30,002	269,187
2053-2054	72,123	1,457	73,580
TOTAL FUTURE RECEIPTS	\$ 739,937	\$ 485,723	\$ 1,225,660

NOTE E - LONG-TERM OBLIGATIONS

A summary of transactions affecting long-term obligations for the year ended December 31, 2022, is as follows:

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Note, Series of 2020	\$ 2,222,000	\$ -	\$ (407,000)	\$ 1,815,000	\$ 455,000
Net pension liability	-	2,201,400	-	2,201,400	-
Net OPEB liability	350,645	51,242	-	401,887	-
Compensated absences	80,698	-	(594)	80,104	-
	<u>\$ 2,653,343</u>	<u>\$ 2,252,642</u>	<u>\$ (407,594)</u>	<u>\$ 4,498,391</u>	<u>\$ 455,000</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Note, Series of 2020	\$ 5,577,000	\$ -	\$ (518,000)	\$ 5,059,000	\$ 482,000
State loan	1,461,115	-	(240,498)	1,220,617	267,001
	<u>\$ 7,038,115</u>	<u>\$ -</u>	<u>\$ (758,498)</u>	<u>\$ 6,279,617</u>	<u>\$ 749,001</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE E - LONG-TERM OBLIGATIONS (Continued)

Future principal and interest payments at December 31, 2022, for the General Obligation Notes, Series of 2020 maturing on July 15, 2030 bearing an interest rate of 1.14%, are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2023	\$ 455,000	\$ 20,691	\$ 475,691	\$ 482,000	\$ 57,672	\$ 539,672
2024	460,000	15,504	475,504	487,000	52,178	539,178
2025	464,000	10,260	474,260	493,000	46,626	539,626
2026	436,000	4,970	440,970	498,000	41,006	539,006
2027	-	-	-	672,000	35,328	707,328
2028	-	-	-	800,000	27,668	827,668
2029	-	-	-	809,000	18,548	827,548
2030	-	-	-	818,000	9,324	827,324
	<u>\$ 1,815,000</u>	<u>\$ 51,425</u>	<u>\$ 1,866,425</u>	<u>\$ 5,059,000</u>	<u>\$ 288,350</u>	<u>\$ 5,347,350</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, 2022, are as follows:

Year Ending December 31,	Principal	Maximum Interest	Totals
2023	\$ 267,001	\$ 21,973	\$ 288,974
2024	272,390	16,583	288,973
2025	277,888	11,085	288,973
2026	283,497	5,476	288,973
2027	119,841	600	120,441
	<u>\$ 1,220,617</u>	<u>\$ 55,717</u>	<u>\$ 1,276,334</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>18</u>
	<u>40</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 plus a service increment of \$100 per month for completion of at least 26 years of benefit service. Final salary is determined to be the average annual compensation during the last three years of service prior to the effective date of retirement.

Disability Benefit - If a member is disabled in the line of duty, he will receive a disability retirement pension equal to 60% of the salary he was receiving at the time of his disablement reduced by any Social Security disability benefits payable due to the same illness or injury.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Death Benefit - The surviving spouse or eligible dependent child of a member who is killed in the line of duty will receive a pension of 100% of the member's monthly salary at the time of his death; however, this benefit will be paid from a state fund and not from the pension plan.

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.

The plan offers a Deferred Retirement Option Program (DROP). A member is eligible to enter the DROP program on or after his normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The maximum period of participation in the DROP program is 48 months and elections to enter the DROP program are irrevocable.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022, the MMO obligation for the plan was \$612,279 for the year 2022. Contributions of \$612,279 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, 2022:

<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	2.75%
	<u>100.00%</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Concentrations - No investment in any one issuer is in excess of 5% of the Plan's total investments.

Rate of Return - For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -16.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset of the Township

The components of the net pension liability of the Township at December 31, 2022, were as follows:

Total pension liability	\$ 19,147,941
Plan fiduciary net position	<u>(16,946,541)</u>
 NET PENSION LIABILITY	 \$ <u>2,201,400</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>88.50%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, 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	6.75%

Mortality rates were based on the Pub-2010 Table, with rates projected using scale MP-2020.

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

Changes in Assumptions - In the 2021 actuarial valuation, the mortality assumption was changed from RP-2014 Table to the Pub-2010 Table, with rates projected using scale MP-2020. The investment rate of return was changed from 7.0% to 6.75%.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 (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	5.1%
International Equity	4.8%
Emerging Equity	5.2%
Core Fixed	1.4%
Interm IG Corp	1.4%
Bank Loans	2.2%
High Yield	2.5%
Emerging Debt	2.4%

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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Governmental Activities Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2021	\$ 17,785,964	\$ 20,436,189	\$ (2,650,225)
Changes for the year			
Service cost	366,148	-	366,148
Interest cost	1,203,529	-	1,203,529
Differences between expected and actual experience	436,393	-	436,393
Contributions			
Employer	-	612,279	(612,279)
Employee	-	42,524	(42,524)
Net investment income (loss)	-	(3,427,132)	3,427,132
Benefit payments	(644,093)	(644,093)	-
Administrative expenses	-	(73,226)	73,226
Net Changes	<u>1,361,977</u>	<u>(3,489,648)</u>	<u>4,851,625</u>
Balance at December 31, 2022	\$ <u>19,147,941</u>	\$ <u>16,946,541</u>	\$ <u>2,201,400</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability (asset) of the Township, calculated using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ <u>4,554,132</u>	\$ <u>2,201,400</u>	\$ <u>253,513</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the Township recognized pension expense of \$930,535. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 347,228	\$ 73,072
Changes in actuarial assumptions	111,247	-
Net difference between projected and actual earnings on plan investments	<u>2,382,722</u>	<u>-</u>
	<u>\$ 2,841,197</u>	<u>\$ 73,072</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>Governmental Activities</u>
2023	\$ 273,946
2024	606,249
2025	876,832
2026	1,011,098

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, 2022, plan assets at fair value were \$5,748,484. These assets are not included in these financial statements.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022 was \$218,698, of which \$207,629 was funded by state contributions and \$11,069 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, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	22
	<hr/>
	22
	<hr/>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$900 per month for retirements in 2021 and up to \$1,000 per month for retirements in 2022, \$1,100 per month for retirements in 2023, \$1,250 per month for retirements in 2024, or later.

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 are required to 1.25% of their compensation for 2022. Administrative costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. The plan does not have a funding policy. Medical costs for retired members are paid from the OPEB trust.

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, 2022:

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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>100.00%</u>

Concentrations - No investment in any one issuer is in excess of 5% of the Plan's total investments.

Rate of Return - For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -11.96%. 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, 2022, were as follows:

Total OPEB liability	\$ 866,427
Plan fiduciary net position	<u>(464,540)</u>
NET OPEB LIABILITY	<u>\$ 401,887</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>53.62%</u>

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, 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	6%

Mortality rates were based on the Pub-2010 Table for Safety Employees with rates projected using Scale MP-2020.

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, 2022

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, 2022 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
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, 2022.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2021	\$ 790,163	\$ 439,518	\$ 350,645
Changes for the year			
Service cost	27,548	-	27,548
Interest cost	49,053	-	49,053
Contributions			
Employer	-	63,300	(63,300)
Employee	-	23,083	(23,083)
Net investment income	-	(53,353)	53,353
Benefit payments	(337)	(337)	-
Administrative expenses	-	(7,671)	7,671
Net Changes	76,264	25,022	51,242
Balance at December 31, 2022	\$ 866,427	\$ 464,540	\$ 401,887

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	\$ 448,681	\$ 401,887	\$ 358,768

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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2022, the Township recognized OPEB expense of \$47,199. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,756	\$ -
Changes in actuarial assumptions	2,041	-
Net difference between projected and actual earnings on plan investments	54,325	-
	<u>\$ 61,122</u>	<u>\$ -</u>

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2023	\$ 9,249
2024	14,250
2025	17,273
2026	17,369
2027	948
Thereafter	2,033

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, 2022:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Transfers</u>	
			<u>In</u>	<u>Out</u>
GENERAL FUND	\$ 1,697,415	\$ 214,643	\$ 603,000	\$ 683,171
SPECIAL REVENUE FUNDS				
Fire Protection Fund	229,835	15,192	-	-
State Liquid Fuels Tax (Highway Aid) Fund	-	-	-	603,000
TOTAL SPECIAL REVENUE FUNDS	<u>229,835</u>	<u>15,192</u>	<u>-</u>	<u>603,000</u>
ENTERPRISE FUNDS				
Sewer Revenue Fund	1,563,940	280,903	-	-
Sewer Fund	<u>2,080,188</u>	<u>5,060,640</u>	<u>683,171</u>	<u>-</u>
TOTAL ENTERPRISE FUNDS	<u>3,644,128</u>	<u>5,341,543</u>	<u>683,171</u>	<u>-</u>
	<u>\$ 5,571,378</u>	<u>\$ 5,571,378</u>	<u>\$ 1,286,171</u>	<u>\$ 1,286,171</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.

UPPER GWYNEDD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

NOTE L - PRIOR PERIOD RESTATEMENT

Leases

The Township implemented GASB Statement No. 87, *Leases*, effective January 1, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of lease assets and liabilities using the foundational principle that leases are financings of the right to use an underlying asset.

The Township has treated the beginning of the year assets and deferred inflow for leases in which the Township is a lessor as having been recognized in the period incurred. As part of the implementation, the Township has adjusted the beginning balance of Lease Receivables and Lease related deferred inflows from \$0 to \$742,226.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER GWYNEDD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Real estate taxes, net	\$ 2,950,600	\$ 2,950,600	\$ 2,946,319	\$ (4,281)
Earned income taxes	6,206,700	6,206,700	6,938,066	731,366
Local services tax	876,200	876,200	958,293	82,093
Real estate transfer tax	528,900	528,900	1,622,100	1,093,200
Intergovernmental revenues	2,042,776	2,042,776	1,398,610	(644,166)
Licenses and permits	304,352	304,352	334,739	30,387
Fees and fines	23,800	23,800	36,412	12,612
Departmental earnings	1,088,380	1,088,380	1,360,912	272,532
Investment income and rents	21,300	21,300	188,228	166,928
Miscellaneous	6,500	6,500	163,583	157,083
TOTAL REVENUES	14,049,508	14,049,508	15,947,262	1,897,754
EXPENDITURES				
General government	2,510,326	2,510,326	2,364,318	146,008
Public safety	5,733,818	5,733,818	5,660,736	73,082
Parks and recreation	1,614,505	1,614,505	1,595,536	18,969
Highways	5,255,637	5,255,637	3,403,336	1,852,301
Insurance and employee benefits	230,283	230,283	246,361	(16,078)
Debt service				
Principal retirement	449,000	449,000	407,000	42,000
Interest paid	25,810	25,810	25,810	-
TOTAL EXPENDITURES	15,819,379	15,819,379	13,703,097	2,116,282
EXCESS (DEFICIENCY) OF REVENUES OF OVER EXPENDITURES	(1,769,871)	(1,769,871)	2,244,165	4,014,036
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(715,000)	(715,000)	(683,171)	31,829
Operating transfers in	2,711,209	2,711,209	603,000	(2,108,209)
Proceeds from sale of fixed assets	5,000	5,000	24,467	19,467
TOTAL OTHER FINANCING SOURCES (USES)	2,001,209	2,001,209	(55,704)	(2,056,913)
NET CHANGE IN FUND BALANCE	\$ 231,338	\$ 231,338	2,188,461	\$ 1,957,123
FUND BALANCE AT BEGINNING OF YEAR			13,979,086	
FUND BALANCE AT END OF YEAR			\$ 16,167,547	

UPPER GWYNEDD TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
YEAR ENDED DECEMBER 31, 2022

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and 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>
2013	6.9
2016	6.2
2019	6.8
2022	7.5

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

	<u>Budget</u>	<u>Actual</u>
2016	\$ 1,083,663	\$ 948,247
2017	692,500	618,849
2018	961,620	950,788
2019	806,522	738,523
2020	860,096	515,665
2021	801,950	958,012
2022	842,000	762,617

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

	2022	2021	2020
TOTAL PENSION LIABILITY			
Service cost	\$ 366,148	\$ 379,647	\$ 346,480
Interest	1,203,529	1,145,004	1,125,469
Changes of benefit terms	-	-	-
Differences between expected and actual experience	436,393	-	(180,905)
Changes of assumptions	-	187,185	-
Benefit payments	(644,093)	(644,130)	(608,863)
NET CHANGE IN TOTAL PENSION LIABILITY	1,361,977	1,067,706	682,181
Total pension liability, beginning	17,785,964	16,718,258	16,036,077
TOTAL PENSION LIABILITY, ENDING (a)	\$ 19,147,941	\$ 17,785,964	\$ 16,718,258
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 612,279	\$ 653,006	\$ 718,175
Employee	42,524	42,275	33,839
Donations	-	250	-
Net investment income (loss)	(3,427,132)	2,305,236	2,304,032
Benefit payments, including refunds of member contributions	(644,093)	(644,130)	(608,863)
Administrative expense	(73,226)	(104,850)	(78,751)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(3,489,648)	2,251,787	2,368,432
Plan fiduciary net position, beginning	20,436,189	18,184,402	15,815,970
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 16,946,541	\$ 20,436,189	\$ 18,184,402
NET PENSION LIABILITY, (ASSET), ENDING (a)-(b)	\$ 2,201,400	\$ (2,650,225)	\$ (1,466,144)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	88.50%	114.90%	108.77%
COVERED PAYROLL	\$ 2,349,476	\$ 2,298,429	\$ 2,183,318
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	93.70%	-115.31%	-67.15%

NOTES TO SCHEDULE

Changes of assumptions. In the 2021 actuarial valuation, the mortality assumption was changed from the RP-2014 Table to the Pub-2010 Table. The investment rate of return was changed from 7.0% to 6.75%.

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 362,380	\$ 323,171	\$ 313,994	\$ 282,430	\$ 334,046	\$ 292,665
1,073,293	992,538	916,312	862,768	820,482	796,330
11,090	-	-	-	-	-
(10,524)	417,537	-	86,978	(286,531)	-
-	-	348,276	-	-	-
<u>(739,942)</u>	<u>(498,820)</u>	<u>(498,823)</u>	<u>(498,822)</u>	<u>(498,822)</u>	<u>(498,822)</u>
696,297	1,234,426	1,079,759	733,354	369,175	590,173
<u>15,339,780</u>	<u>14,105,354</u>	<u>13,025,595</u>	<u>12,292,241</u>	<u>11,923,066</u>	<u>11,332,893</u>
<u>\$ 16,036,077</u>	<u>\$ 15,339,780</u>	<u>\$ 14,105,354</u>	<u>\$ 13,025,595</u>	<u>\$ 12,292,241</u>	<u>\$ 11,923,066</u>
\$ 697,043	\$ 758,957	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
34,211	24,104	-	-	-	-
-	-	-	-	-	-
2,604,239	(652,183)	1,820,133	702,217	102,556	561,678
(739,942)	(498,820)	(498,823)	(498,822)	(498,822)	(498,822)
<u>(84,644)</u>	<u>(75,638)</u>	<u>(71,441)</u>	<u>(65,902)</u>	<u>(89,121)</u>	<u>(65,350)</u>
2,510,907	(443,580)	1,986,915	862,125	282,391	487,289
<u>13,305,063</u>	<u>13,748,643</u>	<u>11,761,728</u>	<u>10,899,603</u>	<u>10,617,212</u>	<u>10,129,923</u>
<u>\$ 15,815,970</u>	<u>\$ 13,305,063</u>	<u>\$ 13,748,643</u>	<u>\$ 11,761,728</u>	<u>\$ 10,899,603</u>	<u>\$ 10,617,212</u>
<u>\$ 220,107</u>	<u>\$ 2,034,717</u>	<u>\$ 356,711</u>	<u>\$ 1,263,867</u>	<u>\$ 1,392,638</u>	<u>\$ 1,305,854</u>
<u>98.63%</u>	<u>86.74%</u>	<u>97.47%</u>	<u>90.30%</u>	<u>88.67%</u>	<u>89.05%</u>
<u>\$ 2,114,408</u>	<u>\$ 2,339,825</u>	<u>\$ 2,180,743</u>	<u>\$ 2,132,118</u>	<u>\$ 2,011,419</u>	<u>\$ 2,054,865</u>
<u>10.41%</u>	<u>86.96%</u>	<u>16.36%</u>	<u>59.28%</u>	<u>69.24%</u>	<u>63.55%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 612,279	\$ 653,006	\$ 718,175
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>612,279</u>	<u>653,006</u>	<u>718,175</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>2,349,476</u>	\$ <u>2,298,429</u>	\$ <u>2,183,318</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>26.06%</u>	<u>28.41%</u>	<u>32.89%</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, 2021	January 1, 2019
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	4 years	4 years
Asset valuation method	Four-year smoothing period	Four-year smoothing period
Inflation	2.5%	2.5%
Salary increases	4.5% annual increase	4.5% annual increase
Investment rate of return	6.75%	7.0%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Pub-2010 Table	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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 697,043	\$ 758,957	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
<u>697,043</u>	<u>758,957</u>	<u>737,046</u>	<u>724,632</u>	<u>767,778</u>	<u>489,783</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>2,114,408</u>	\$ <u>2,339,825</u>	\$ <u>2,180,743</u>	\$ <u>2,132,118</u>	\$ <u>2,011,419</u>	\$ <u>2,054,865</u>
<u>32.97%</u>	<u>32.44%</u>	<u>33.80%</u>	<u>33.99%</u>	<u>38.17%</u>	<u>23.84%</u>

January 1, 2017
Entry age normal
Level dollar, closed
4 years
Four-year smoothing
period
2.5%
4.5% annual increase
7.0%
Normal retirement age
RP 2014 Table

January 1, 2015
Entry age normal
Level dollar, closed
4 years
Four-year smoothing
period
2.5%
4.5% annual increase
7.0%
Normal retirement age
RP 2000 Table

January 1, 2013
Entry age normal
Level dollar, closed
6 years
Five-year smoothing
period
3.0%
4.5% annual increase
7.0%
Normal retirement age
RP 2000 Table

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-16.96%</u>	<u>12.14%</u>	<u>14.03%</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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>19.07%</u></u>	<u><u>-5.21%</u></u>	<u><u>14.81%</u></u>	<u><u>6.37%</u></u>	<u><u>0.96%</u></u>	<u><u>5.53%</u></u>

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF CHANGES IN THE NET OPEB
PLAN LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

	2022	2021	2020
TOTAL OPEB LIABILITY			
Service cost	\$ 27,548	\$ 28,716	\$ 20,473
Interest	49,053	44,752	32,687
Changes of benefit terms	-	166,377	-
Differences between expected and actual experience	-	6,023	-
Changes of assumptions	-	2,611	-
Benefit payments	(337)	(913)	(69,749)
NET CHANGE IN TOTAL OPEB LIABILITY	76,264	247,566	(16,589)
Total OPEB liability, beginning	790,163	542,597	559,186
TOTAL OPEB LIABILITY, ENDING (a)	\$ 866,427	\$ 790,163	\$ 542,597
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 63,300	\$ 31,627	\$ 31,627
Employee	23,083	23,135	21,576
Net investment income (loss)	(53,353)	24,038	36,178
Benefit payments	(337)	(913)	(69,749)
Administrative expense	(7,671)	(7,893)	(19,048)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	25,022	69,994	584
Plan fiduciary net position, beginning	439,518	369,524	368,940
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 464,540	\$ 439,518	\$ 369,524
NET OPEB LIABILITY, ENDING (a)-(b)	\$ 401,887	\$ 350,645	\$ 173,073
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	53.62%	55.62%	68.10%
COVERED PAYROLL	\$ 2,920,147	\$ 2,721,008	\$ 2,455,763
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	13.76%	12.89%	7.05%

NOTE TO SCHEDULE

Changes of assumptions. In the 2021 actuarial valuation, the mortality assumption was changed from the RP-2014 Tale to the Pub-2010 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 21,030	\$ 13,415	\$ 13,038
31,652	19,939	18,257
157,785	-	-
93	-	-
-	-	-
-	(7,266)	-
<u>210,560</u>	<u>26,088</u>	<u>31,295</u>
<u>348,626</u>	<u>322,538</u>	<u>291,243</u>
\$ <u><u>559,186</u></u>	\$ <u><u>348,626</u></u>	\$ <u><u>322,538</u></u>
\$ 4,113	\$ -	\$ 5,000
22,151	19,009	18,754
44,054	(8,492)	15,842
-	(7,266)	-
(11,487)	(5,460)	(10,342)
<u>58,831</u>	<u>(2,209)</u>	<u>29,254</u>
<u>310,109</u>	<u>312,318</u>	<u>283,064</u>
\$ <u><u>368,940</u></u>	\$ <u><u>310,109</u></u>	\$ <u><u>312,318</u></u>
\$ <u><u>190,246</u></u>	\$ <u><u>38,517</u></u>	\$ <u><u>10,220</u></u>
<u>65.98%</u>	<u>88.95%</u>	<u>96.83%</u>
\$ <u><u>2,386,192</u></u>	\$ <u><u>2,470,023</u></u>	\$ <u><u>2,250,480</u></u>
<u>7.97%</u>	<u>1.56%</u>	<u>0.45%</u>

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF OPEB PLAN CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 72,225	\$ 72,225	\$ 31,627
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>63,300</u>	<u>31,627</u>	<u>31,627</u>
CONTRIBUTION EXCESS (DEFICIENCY)	\$ <u>(8,925)</u>	\$ <u>(40,598)</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>2,920,147</u>	\$ <u>2,721,008</u>	\$ <u>2,455,763</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>2.17%</u>	<u>1.16%</u>	<u>1.29%</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, 2022	January 1, 2021
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	9 years	10 years
Asset valuation method	Market value	Market value
Inflation	2.25%	2.25%
Salary increases	4.5% annual increase	4.5% annual increase
Investment rate of return	6.0%	6.0%
Retirement age	Normal retirement age	Normal retirement age
Mortality	Pub-2010 Table	Pub-2010 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 31,627	\$ 4,113	\$ 4,113
<u>4,113</u>	<u>-</u>	<u>(5,000)</u>
\$ <u>(27,514)</u>	\$ <u>(4,113)</u>	\$ <u>887</u>
\$ <u><u>2,386,192</u></u>	\$ <u><u>2,470,023</u></u>	\$ <u><u>2,250,480</u></u>
<u><u>0.17%</u></u>	<u><u>0.00%</u></u>	<u><u>0.22%</u></u>

January 1, 2019

Entry age normal
Level dollar, closed
10 years
Market value
2.25%
4.5% annual increase
6.0%
Normal retirement age
RP 2014 Table

January 1, 2017

Entry age normal
Level dollar, closed
11 years
Market value
2.25%
4.5% annual increase
5.0%
Normal retirement age
RP 2014 Table

UPPER GWYNEDD TOWNSHIP
SCHEDULE OF OPEB PLAN INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-11.96%</u>	<u>5.89%</u>	<u>8.35%</u>	<u>12.08%</u>	<u>-3.07%</u>	<u>8.45%</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.

SUPPLEMENTARY INFORMATION SECTION

UPPER GWYNEDD TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Protection Fund	State Liquid Fuels Tax (Highway Aid) Fund	Capital Reserve Fund	
ASSETS				
Cash and cash equivalents	\$ 293,395	\$ 166,851	\$ 3,065,021	\$ 3,525,267
Due from other funds	<u>229,835</u>	<u>-</u>	<u>-</u>	<u>229,835</u>
TOTAL ASSETS	<u><u>\$ 523,230</u></u>	<u><u>\$ 166,851</u></u>	<u><u>\$ 3,065,021</u></u>	<u><u>\$ 3,755,102</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,650	\$ -	\$ -	\$ 1,650
Due to other funds	<u>15,192</u>	<u>-</u>	<u>-</u>	<u>15,192</u>
TOTAL LIABILITIES	<u><u>16,842</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>16,842</u></u>
FUND BALANCES				
Restricted				
Highway and street projects	-	166,851	-	166,851
Fire protection	<u>506,388</u>	<u>-</u>	<u>-</u>	<u>506,388</u>
Assigned				
Capital projects	<u>-</u>	<u>-</u>	<u>3,065,021</u>	<u>3,065,021</u>
TOTAL FUND BALANCES	<u><u>506,388</u></u>	<u><u>166,851</u></u>	<u><u>3,065,021</u></u>	<u><u>3,738,260</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 523,230</u></u>	<u><u>\$ 166,851</u></u>	<u><u>\$ 3,065,021</u></u>	<u><u>\$ 3,755,102</u></u>

UPPER GWYNEDD TOWNSHIP**COMBINING SCHEDULE OF REVENUES, EXPENDITURES****AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Protection Fund	State Liquid Fuels Tax (Highway Aid) Fund	Capital Reserve Fund	
REVENUES				
Real estate taxes, net	\$ 229,835	\$ -	\$ -	\$ 229,835
Intergovernmental revenues	-	469,470	-	469,470
Investment income	2,326	5,241	21,117	28,684
Miscellaneous	215,000	-	-	215,000
TOTAL REVENUES	447,161	474,711	21,117	942,989
EXPENDITURES				
Public safety	996,624	-	-	996,624
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(549,463)	474,711	21,117	(53,635)
OTHER FINANCING USES				
Operating transfers out	-	(603,000)	-	(603,000)
NET CHANGE IN FUND BALANCES	(549,463)	(128,289)	21,117	(656,635)
FUND BALANCES AT BEGINNING OF YEAR	1,055,851	295,140	3,043,904	4,394,895
FUND BALANCES AT END OF YEAR	\$ 506,388	\$ 166,851	\$ 3,065,021	\$ 3,738,260