

# UPPER GWYNEDD TOWNSHIP

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

*Year Ended December 31, 2021*



# **INTRODUCTORY SECTION**

**UPPER GWYNEDD TOWNSHIP**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2021**

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
Transmittal Letter	3
<b>Financial Section</b>	
Independent Auditors' Report	5
Management's Discussion and Analysis (Unaudited)	8
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	18
Statement of Activities	19
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	20
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
<b><i>Fiduciary Funds</i></b>	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Basic Financial Statements	29

**UPPER GWYNEDD TOWNSHIP**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2021**

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	<b>Page</b>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	56
Trend Data on Infrastructure Condition	57
Police Pension Plan	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	58
Schedule of Police Pension Plan Contributions	59
Schedule of Police Pension Plan Investment Returns	60
Other Postemployment Benefit Plan	
Schedule of Changes in the Net OPEB Plan Liability and Related Ratios	61
Schedule of OPEB Plan Contributions	62
Schedule of OPEB Plan Investment Returns	63
<b>Supplementary Information Section</b>	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	65

**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, 2021.

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, 2021, 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, 2021, 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,

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Sandra Zadell  
Township Manager

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(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, 2021, 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, 2021, 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.

### ***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 one year after the financial statement date.



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

### ***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 56, trend data on infrastructure condition on page 57, pension plan information on pages 58 through 60 and other postemployment benefits other than pension information on pages 61 through 63 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.



Limerick, Pennsylvania  
May 1, 2023

**UPPER GWYNEDD TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2021**

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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, 2021. 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 2021 was \$13,979,086. Compared to the prior year, the fund balance improved by \$914,592 or 7.00%. This year on year improvement in fund balance indicates the continued financial soundness of the Township.

With the effects of Covid-19 still looming over Montgomery County, Township leadership set the expectation at the beginning of the fiscal year that increases in taxes were to be avoided with little to no impact on services provided. As such, Upper Gwynedd residents enjoy another year without Township imposed millage increases. This makes for the seventh consecutive year since the prior General-Purpose Real Estate Tax Mill increase in 2014, which imposed a premium of approximately \$142 for the median household. This directly reflects the time, attention, and diligence Township Staff dedicated to adhering to the Annual Budget and the call to action set by the administration by finding savings where appropriate. Upper Gwynedd continues to maintain one of the lowest municipal real estate tax levies in Montgomery County.

While the Township has made significant improvements over the years to services provided and quality of life for its resident population, more recently, a focus has been placed on continuing to expand on this principle while making sure it does not come at an increased premium to its taxpayers. As such, Township Manager Zadell and staff members sought multiple grant opportunities for proposed and upcoming capital projects. Under the direction of the Board of Commissioners and Manager Zadell, the Township was awarded over \$1.5 million in grant proceeds since the start of the Pandemic. Funding help offset the strain on the current year's budget and associated reserve funds. Projects funded include the Sumneytown Pike Bridge Projects, Stormwater improvement projects such as Haines Run, Mental Health & Wellness Programs, Math & Science programs, which were highly utilized throughout the pandemic, and multiple trails promoting outdoor exercise for its residents.

To mitigate future fiscal troubles, each department worked together at the direction of the Township Manager to create a 5-year Capital Plan. This team effort resulted in planned spending of \$25 million on future capital projects. This practice, endorsed by the Government Finance Officers Association and considered an industry standard, allows the Township to predict, plan, and manage future funding requirements and sources. As a result, \$1.2 million was transferred to Capital Reserves, and planned future annual transfers of \$315,000 to the reserve will ensure continued fund stability and lessening impacts on future Debt Service needs.

In August 2020, the Township's Waste-Water Treatment Plant experienced its worst flood in the Township's history during Tropical Storm Isaias. The Plant quickly took on approximately 15 feet of flood water over a short period in the four main operations buildings located off Township Line Road. While flood remediation and repairs began in the fourth quarter of 2020, the extent of the damage caused repairs to carry over throughout 2021.

**UPPER GWYNEDD TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2021

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As of the fiscal year-end, repair costs have exceeded \$2.84 million. The Township leaned on its insurance partner, Delaware Valley Trust, to reimburse approximately \$2.1 million in expended funds. In addition to the remediation and repair work, additional work was completed to prevent future happenings, including berm and streambank improvements, such as that achieved at Haines Run.

**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, 2021

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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	\$4,026,684
Sewer Revenue Fund	\$1,447,633

**UPPER GWYNEDD TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2021**

**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, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
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>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net	30,997	-	30,997
Deferred outflows of resources, pension and OPEB activity	280,896	-	280,896
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>311,893</u>	<u>-</u>	<u>311,893</u>
<b>LIABILITIES</b>			
Current and other liabilities	2,468,827	490,823	2,959,650
Long-term liabilities	2,653,343	7,038,115	9,691,458
TOTAL LIABILITIES	<u>5,122,170</u>	<u>7,528,938</u>	<u>12,651,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension and OPEB activity	2,052,361	-	2,052,361
<b>NET POSITION</b>			
Net investment in capital assets	33,899,181	39,902,469	73,801,650
Restricted	1,350,991	-	1,350,991
Unrestricted	17,388,746	5,645,718	23,034,464
TOTAL NET POSITION	<u>\$ 52,638,918</u>	<u>\$ 45,548,187</u>	<u>\$ 98,187,105</u>

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, 2021**

**Table 2**  
**Condensed Statement of Net Position**  
**December 31, 2020**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current and other assets	\$ 18,324,220	\$ 13,144,198	\$ 31,468,418
Capital assets	36,330,454	40,215,171	76,545,625
TOTAL ASSETS	<u>54,654,674</u>	<u>53,359,369</u>	<u>108,014,043</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net	37,523	-	37,523
Deferred outflows of resources, pension and OPEB activity	277,401	-	277,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>314,924</u>	<u>-</u>	<u>314,924</u>
<b>LIABILITIES</b>			
Current and other liabilities	839,885	913,606	1,753,491
Long-term liabilities	2,837,878	7,294,655	10,132,533
TOTAL LIABILITIES	<u>3,677,763</u>	<u>8,208,261</u>	<u>11,886,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension and OPEB activity	1,700,835	-	1,700,835
<b>NET POSITION</b>			
Net investment in capital assets	33,727,454	38,428,576	72,156,030
Restricted	1,520,406	-	1,520,406
Unrestricted	14,343,140	6,722,532	21,065,672
TOTAL NET POSITION	<u>\$ 49,591,000</u>	<u>\$ 45,151,108</u>	<u>\$ 94,742,108</u>

**UPPER GWYNEDD TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2021**

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**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, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>REVENUES</b>			
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)	-
<b>TOTAL REVENUES</b>	<u>14,737,423</u>	<u>6,125,917</u>	<u>20,863,340</u>
<b>EXPENSES</b>			
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
Highways	2,301,600	-	2,301,600
Interest on long-term debt	104,010	-	104,010
Operating expenses	-	5,728,838	5,728,838
<b>TOTAL EXPENSES</b>	<u>11,689,505</u>	<u>5,728,838</u>	<u>17,418,343</u>
<b>CHANGE IN NET POSITION</b>	3,047,918	397,079	3,444,997
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>49,591,000</u>	<u>45,151,108</u>	<u>94,742,108</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 52,638,918</u>	<u>\$ 45,548,187</u>	<u>\$ 98,187,105</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, 2021**

**Table 4**  
**Changes in Net Position**  
**Year Ended December 31, 2020**

	Governmental Activities	Business-Type Activities	Totals
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,566,206	\$ 5,493,873	\$ 7,060,079
Operating grants and contributions	1,113,579	-	1,113,579
Capital grants and contributions	-	3,326,161	3,326,161
General revenues			
Taxes	10,946,211	-	10,946,211
Other	131,307	49,568	180,875
Transfers	441,000	(441,000)	-
<b>TOTAL REVENUES</b>	<u>14,198,303</u>	<u>8,428,602</u>	<u>22,626,905</u>
<b>EXPENSES</b>			
General administration	1,928,202	-	1,928,202
Public safety	5,241,284	-	5,241,284
Parks and recreation	882,984	-	882,984
Insurance and employee benefits	181,482	-	181,482
Highways	2,700,916	-	2,700,916
Interest on long-term debt	27,751	-	27,751
Operating expenses	-	5,738,957	5,738,957
<b>TOTAL EXPENSES</b>	<u>10,962,619</u>	<u>5,738,957</u>	<u>16,701,576</u>
<b>CHANGE IN NET POSITION</b>	3,235,684	2,689,645	5,925,329
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>46,355,316</u>	<u>42,461,463</u>	<u>88,816,779</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 49,591,000</u>	<u>\$ 45,151,108</u>	<u>\$ 94,742,108</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgetary adjustments and supplemental appropriations in 2021 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, 2021**

**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, 2021, totals \$123,161,418. The Township's investment in capital assets includes land, infrastructure, buildings, vehicles, equipment, and sewer treatment plant and collection system.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 3,960	\$ -
Sewer plant	-	38,764
Construction in progress	812	20,068
Land improvements	3,294	-
Buildings and improvements	5,746	-
Equipment, furniture and vehicles	6,873	12,506
Infrastructure	31,138	-
Accumulated depreciation	<u>(15,733)</u>	<u>(29,906)</u>
<b>TOTAL</b>	<b><u>\$ 36,090</u></b>	<b><u>\$ 41,432</u></b>

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 2021, the Township expended \$958,012 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, 2021**

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**Debt**

At year-end 2021, the Township had \$9,260,115 (see Figure A-2) in outstanding debt. The debt service due within one year is \$1,186,718.

**Figure A-2**  
**Outstanding Long-Term Debt**

General Obligation Note	\$ <u>7,799,000</u>
Pennworks Loan	\$ <u>1,461,115</u>
Compensated Absences	\$ <u>80,698</u>

**ECONOMIC FACTORS IMPACTING FUTURE BUDGETS**

Upper Gwynedd Township is located approximately 18 miles northwest of center city Philadelphia in Montgomery County. The Township services an area of approximately 8.05 square miles consisting of a residential population of approximately 17,072 (2020 U.S. Census). Minor (uncounted) population growth since the 2020 Census can be assumed. Despite the impacts of the pandemic, due to the desirable nature of the Township, the residential population recorded a growth of 9% according to the latest census, which pales in comparison to the prior 16.8% between 2000 and 1990. In addition, the Township and the surrounding communities comprise a dynamic area that serves as an attractive workplace. Upper Gwynedd Township’s overall daytime population has decreased due to the Pandemic. Still, it is expected to return to its pre-pandemic numbers of approximately 15,000 people as major employers such as Merck & Co., Inc., North Penn School District, Icon Clinical Research, Acts Retirement Life Insurance, Colorcon Inc., Dean Dairy Fluid and many other smaller employers have chosen to stay in the Township.

The impacts of the COVID-19 Pandemic continued to reflect in the 2021 operations and financial performance to Budget as did in the prior 2020 budgetary year. Most notably, the global and U.S. economy attributed market downturns in the third quarter to the negative impact of the Delta variant. While financial analysts reported the economy starting to regain momentum in the fourth quarter, threats of Omicron moved to the forefront of U.S. media. Reports of the US surpassing one million new COVID-19 cases, which was the highest one-day tally of new cases anywhere in the world, took no time to impact markets and pricing indexes. With this in mind, the Township stayed mindful of another potential round of disruptions.

## **UPPER GWYNEDD TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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The first form of disruption would come by way of stay-at-home orders. To stave off major shortages in staffing due to limiting the spread of the COVID-19 virus and its numerous variants, strict adherence to the Centers for Disease Control (CDC) quarantine guidelines was a top priority. Even after the CDC lessened the quarantine period to five days, half of the previous recommended time, all staff members were encouraged to continue to wear Personal Protective Equipment (PPE) when appropriate. The Township utilized various funding sources (General Fund, Grants, Insurance) to supply PPE for use in all workspaces as well as provided equipment to promote healthier workspaces such as air purifiers. The Township also adopted policies to allow staffers the ability to work remotely, which also impacted the IT budget as laptops and remote working devices needed to be purchased. These adjustments allowed for staffing impacts to avoid the peak of last winter's surge.

The second disruption impacting future budgetary adherence is another round of lockdowns. While much of the U.S. is avoiding lockdowns as a method of controlling the spread of the virus and relying on a variety of other measures, other countries, such as China, continue to impose temporary lockdowns causing disruptions to the economy by impacting essential manufacturing hubs, and supply chains as factories and travel shut down. Economists project the full impact on the world economy is yet to be seen. Considering this fact, delays in supply chains require departments to operate in a manner in which capital purchases and projects can be interchangeable, as well as one-time increases in budgetary lines to allow for carry-over purchases.

The last disruption came by way of inflation. Inflation rates hit their highest peak in almost 40 years at 6.8%. This impacts our budgetary planning in two ways. The first is monetary pricing increases and ensuring budgetary lines can support volatile pricing swings. The second is watching the Fed's upcoming policy meeting as rate increases can impact future debt service pricing. However, due to the sizable operational and capital cash reserves of the Township and the sound financial management, the Township remains well-positioned to provide for the health, safety, and welfare of its Community.

### **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.

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Nathan Crittendon  
Finance Director

**UPPER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,784,218	\$ 7,610,187	\$ 27,394,405
Investments	21,597	91,929	113,526
Accrued investment income	368	466	834
Receivables	453,516	3,900,731	4,354,247
Taxes receivable	208,740	-	208,740
Internal balances	21,260	(21,260)	-
Due from other governmental agencies	26,095	-	26,095
Prepaid expenses	245,353	62,548	307,901
Net pension asset	2,650,225	-	2,650,225
Capital assets			
Land	3,959,692	-	3,959,692
Construction in progress	812,710	20,067,594	20,880,304
Land improvements, net	2,596,568	-	2,596,568
Buildings and improvements, net	2,936,225	-	2,936,225
Equipment, furniture and vehicles, net	1,426,405	12,845,377	14,271,782
Infrastructure, net	24,358,584	-	24,358,584
Sewer plant, net	-	8,519,553	8,519,553
<b>TOTAL ASSETS</b>	<b>59,501,556</b>	<b>53,077,125</b>	<b>112,578,681</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding, net	30,997	-	30,997
Deferred outflows of resources, pension activity	273,145	-	273,145
Deferred outflows of resources, OPEB activity	7,751	-	7,751
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>311,893</b>	<b>-</b>	<b>311,893</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	459,281	426,942	886,223
Payroll and withholding taxes payable	288,720	30,004	318,724
Unearned revenues	827,776	33,877	861,653
Escrow deposits	811,389	-	811,389
Accrued interest	81,661	-	81,661
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	80,698	-	80,698
Bonds and note payable	457,000	729,718	1,186,718
Portion due or payable after one year			
Bonds and note payable	1,765,000	6,308,397	8,073,397
Net OPEB liability	350,645	-	350,645
<b>TOTAL LIABILITIES</b>	<b>5,122,170</b>	<b>7,528,938</b>	<b>12,651,108</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	2,038,389	-	2,038,389
Deferred inflows of resources, OPEB activity	13,972	-	13,972
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,052,361</b>	<b>-</b>	<b>2,052,361</b>
<b>NET POSITION</b>			
Net investment in capital assets	33,899,181	39,902,469	73,801,650
Restricted	1,350,991	-	1,350,991
Unrestricted	17,388,746	5,645,718	23,034,464
<b>TOTAL NET POSITION</b>	<b>\$ 52,638,918</b>	<b>\$ 45,548,187</b>	<b>\$ 98,187,105</b>

*See accompanying notes to the basic financial statements.*

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**UPPER GWYNEDD TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 2,626,646	\$ 1,150,708	\$ 1,190,616	\$ 26,095
Public safety	5,465,515	45,923	26,076	-
Parks and recreation	1,191,734	390,122	-	-
Highways	2,301,600	-	-	-
Interest on long-term debt	104,010	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>11,689,505</b>	<b>1,586,753</b>	<b>1,216,692</b>	<b>26,095</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer Revenue Fund	1,013,767	1,447,633	-	-
Sewer Fund	4,324,378	4,026,684	-	-
Sewer Expansion Fund	390,693	-	-	1,087,440
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,728,838</b>	<b>5,474,317</b>	<b>-</b>	<b>1,087,440</b>
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 17,418,343</b>	<b>\$ 7,061,070</b>	<b>\$ 1,216,692</b>	<b>\$ 1,113,535</b>
<b>GENERAL REVENUES</b>				
Taxes				
Real estate taxes, net				
Per capita tax				
Real estate transfer tax				
Earned income tax				
Earnings on investments				
Miscellaneous				
TRANSFERS, net				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
<b>CHANGE IN NET POSITION</b>				
<b>NET POSITION AT BEGINNING OF YEAR</b>				
<b>NET POSITION AT END OF YEAR</b>				

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (259,227)	\$ -	\$ (259,227)
(5,393,516)	-	(5,393,516)
(801,612)	-	(801,612)
(2,301,600)	-	(2,301,600)
(104,010)	-	(104,010)
<u>(8,859,965)</u>	<u>-</u>	<u>(8,859,965)</u>
-	433,866	433,866
-	(297,694)	(297,694)
-	696,747	696,747
<u>-</u>	<u>832,919</u>	<u>832,919</u>
<u>(8,859,965)</u>	<u>832,919</u>	<u>(8,027,046)</u>
3,156,967	-	3,156,967
939,789	-	939,789
658,358	-	658,358
6,552,626	-	6,552,626
16,716	5,160	21,876
142,427	-	142,427
441,000	(441,000)	-
<u>11,907,883</u>	<u>(435,840)</u>	<u>11,472,043</u>
3,047,918	397,079	3,444,997
<u>49,591,000</u>	<u>45,151,108</u>	<u>94,742,108</u>
<u>\$ 52,638,918</u>	<u>\$ 45,548,187</u>	<u>\$ 98,187,105</u>



**UPPER GWYNEDD TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,554,999	\$ 1,229,219	\$ 19,784,218
Investments	21,597	-	21,597
Accrued investment income	368	-	368
Accounts receivable	453,516	-	453,516
Taxes receivable, net	208,740	-	208,740
Due from other funds	21,260	3,178,425	3,199,685
Due from other governmental agencies	26,095	-	26,095
Prepaid expenses	<u>245,353</u>	<u>-</u>	<u>245,353</u>
TOTAL ASSETS	<u>\$ 19,531,928</u>	<u>\$ 4,407,644</u>	<u>\$ 23,939,572</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 446,532	\$ 12,749	\$ 459,281
Payroll and withholding taxes payable	288,720	-	288,720
Due to other funds	3,178,425	-	3,178,425
Unearned revenue	827,776	-	827,776
Escrow deposits	<u>811,389</u>	<u>-</u>	<u>811,389</u>
TOTAL LIABILITIES	<u>5,552,842</u>	<u>12,749</u>	<u>5,565,591</u>
<b>FUND BALANCES</b>			
Nonspendable, prepaid expenses	245,353	-	245,353
Restricted			
Highway and street projects	-	295,140	295,140
Fire protection	-	1,055,851	1,055,851
Assigned			
Capital projects	-	3,043,904	3,043,904
Unassigned	<u>13,733,733</u>	<u>-</u>	<u>13,733,733</u>
TOTAL FUND BALANCES	<u>13,979,086</u>	<u>4,394,895</u>	<u>18,373,981</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,531,928</u>	<u>\$ 4,407,644</u>	<u>\$ 23,939,572</u>

*See accompanying notes to the basic financial statements.*

**UPPER GWYNEDD TOWNSHIP**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2021**

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 18,373,981

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	812,710
Land improvements, net of accumulated depreciation of \$697,784	2,596,568
Buildings and improvements, net of accumulated depreciation of \$2,809,891	2,936,225
Equipment, furniture and vehicles, net of accumulated depreciation of \$5,446,857	1,426,405
Infrastructure, not being depreciated	20,245,379
Infrastructure, net of accumulated depreciation of \$6,778,474	4,113,205
	<u>36,090,184</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>(13,052)</u>

Deferred inflows and outflows related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds. (1,771,465)

Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds. 2,650,225

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, 2021, are:

Accrued interest on bonds	(81,661)
Bonds and note payable (Note E)	(2,222,000)
Compensated absences	(80,698)
Net OPEB liability	(350,645)
	<u>(2,735,004)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 52,638,918

*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, 2021**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Real estate taxes, net	\$ 2,926,123	\$ 230,844	\$ 3,156,967
Earned income taxes	6,552,626	-	6,552,626
Local services tax	939,789	-	939,789
Real estate transfer tax	658,358	-	658,358
Intergovernmental revenues	786,086	447,479	1,233,565
Licenses and permits	349,874	-	349,874
Fees and fines	32,911	-	32,911
Departmental earnings	1,156,024	-	1,156,024
Investment income and rents	15,380	1,336	16,716
Refunds of prior year expenses	26,730	-	26,730
Miscellaneous	168,767	895	169,662
TOTAL REVENUES	<u>13,612,668</u>	<u>680,554</u>	<u>14,293,222</u>
<b>EXPENDITURES</b>			
General government	1,998,042	-	1,998,042
Public safety	5,745,010	194,367	5,939,377
Parks and recreation	1,335,144	-	1,335,144
Highways	2,078,719	633,528	2,712,247
Debt service			
Principal retirement	381,000	-	381,000
Interest paid	16,333	-	16,333
TOTAL EXPENDITURES	<u>11,554,248</u>	<u>827,895</u>	<u>12,382,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,058,420</u>	<u>(147,341)</u>	<u>1,911,079</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	(1,949,371)	(361,342)	(2,310,713)
Operating transfers in	802,342	1,949,371	2,751,713
Proceeds from sale of fixed assets	3,201	-	3,201
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,143,828)</u>	<u>1,588,029</u>	<u>444,201</u>
NET CHANGE IN FUND BALANCES	914,592	1,440,688	2,355,280
FUND BALANCES AT BEGINNING OF YEAR	<u>13,064,494</u>	<u>2,954,207</u>	<u>16,018,701</u>
FUND BALANCES AT END OF YEAR	<u>\$ 13,979,086</u>	<u>\$ 4,394,895</u>	<u>\$ 18,373,981</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, 2021**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,355,280

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 depreciation (\$830,541) exceeds capital outlays (\$590,271) in the current period (Note C). (240,270)

The issuance of long-term debt (e.g., bonds, note, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 381,000

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	(87,677)
Pension plan expense	826,221
OPEB plan expense	(167,743)

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). (18,893)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,047,918

*See accompanying notes to the basic financial statements.*

**UPPER GWYNEDD TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 633,910	\$ -	\$ 6,976,277	\$ 7,610,187
Investments	30,242	22,936	38,751	91,929
Accrued investment income	198	118	150	466
Accounts receivable	537,059	1,520,098	-	2,057,157
Due from other funds	2,409,645	1,101,958	278,496	3,790,099
Other receivables	-	1,843,574	-	1,843,574
Prepaid expenses	-	62,548	-	62,548
Capital assets	421,441	36,729,339	34,187,448	71,338,228
Accumulated depreciation	(184,852)	(24,639,502)	(5,081,350)	(29,905,704)
TOTAL ASSETS	<u>3,847,643</u>	<u>16,641,069</u>	<u>36,399,772</u>	<u>56,888,484</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	54,623	387,626	14,697	456,946
Due to other funds	1,382,861	1,700,963	727,535	3,811,359
Loan payable to other governments	-	1,461,115	-	1,461,115
Notes payable	-	5,577,000	-	5,577,000
Deferred revenue	-	33,877	-	33,877
TOTAL LIABILITIES	<u>1,437,484</u>	<u>9,160,581</u>	<u>742,232</u>	<u>11,340,297</u>
<b>NET POSITION</b>				
Net investment in capital assets	236,589	5,051,722	34,614,158	39,902,469
Unrestricted	2,173,570	2,428,766	1,043,382	5,645,718
TOTAL NET POSITION	<u>\$ 2,410,159</u>	<u>\$ 7,480,488</u>	<u>\$ 35,657,540</u>	<u>\$ 45,548,187</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, 2021**

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>				
Sewer rents	\$ 1,444,143	\$ 3,908,558	\$ -	\$ 5,352,701
Connection fees	3,420	96,033	-	99,453
Other	70	22,093	-	22,163
TOTAL OPERATING REVENUES	<u>1,447,633</u>	<u>4,026,684</u>	<u>-</u>	<u>5,474,317</u>
<b>COSTS OF SALES AND SERVICES</b>				
Payments to Towamencin Municipal Authority for service charges and lease rentals	896,203	225,852	-	1,122,055
Payroll expenses	-	972,526	-	972,526
Plant utilities	-	290,066	-	290,066
Chemicals	-	262,352	-	262,352
Repairs and maintenance	104,505	369,278	-	473,783
Sludge removal	-	466,865	-	466,865
Other	1,395	36,266	98	37,759
TOTAL COSTS OF SALES AND SERVICES	<u>1,002,103</u>	<u>2,623,205</u>	<u>98</u>	<u>3,625,406</u>
<b>ADMINISTRATIVE EXPENSES</b>				
Professional fees	-	103,774	-	103,774
Insurance	-	152,022	-	152,022
Employee benefits	-	268,550	-	268,550
TOTAL ADMINISTRATIVE EXPENSES	<u>-</u>	<u>524,346</u>	<u>-</u>	<u>524,346</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	445,530	879,133	(98)	1,324,565
DEPRECIATION	11,664	1,110,213	390,595	1,512,472
OPERATING INCOME (LOSS)	<u>433,866</u>	<u>(231,080)</u>	<u>(390,693)</u>	<u>(187,907)</u>
<b>OTHER REVENUES (EXPENSES)</b>				
Investment income	1,434	1,144	2,582	5,160
Interest expense	-	(66,614)	-	(66,614)
Operating transfers in	40,450	360,000	-	400,450
Operating transfers out	(480,000)	(361,450)	-	(841,450)
TOTAL OTHER REVENUES (EXPENSES)	<u>(438,116)</u>	<u>(66,920)</u>	<u>2,582</u>	<u>(502,454)</u>
CAPITAL CONTRIBUTIONS	-	-	1,087,440	1,087,440
CHANGE IN NET POSITION	(4,250)	(298,000)	699,329	397,079
NET POSITION AT BEGINNING OF YEAR	2,414,409	7,778,488	34,958,211	45,151,108
NET POSITION AT END OF YEAR	<u>\$ 2,410,159</u>	<u>\$ 7,480,488</u>	<u>\$ 35,657,540</u>	<u>\$ 45,548,187</u>

*See accompanying notes to the basic financial statements.*

**UPPER GWYNEDD TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Sewer Revenue Fund	Sewer Fund	Sewer Expansion Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,549,585	\$ 4,002,501	\$ -	\$ 5,552,086
Payments to suppliers	(1,015,768)	(2,628,639)	(435,338)	(4,079,745)
Payments to employees	-	(1,241,076)	-	(1,241,076)
Internal activity, payments to other funds	(1,190,265)	642,474	(968,093)	(1,515,884)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(656,448)</u>	<u>775,260</u>	<u>(1,403,431)</u>	<u>(1,284,619)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in from other funds	40,450	360,000	-	400,450
Transfers out to other funds	(480,000)	(361,450)	-	(841,450)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(439,550)</u>	<u>(1,450)</u>	<u>-</u>	<u>(441,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	-	1,087,440	1,087,440
Principal paid on loan	-	(256,540)	-	(256,540)
Purchase of capital assets	-	(451,842)	(2,277,983)	(2,729,825)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(708,382)</u>	<u>(1,190,543)</u>	<u>(1,898,925)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales of investments, net	9,781	3,587	13,558	26,926
Investment income	1,477	1,155	2,631	5,263
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,258</u>	<u>4,742</u>	<u>16,189</u>	<u>32,189</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,084,740)	70,170	(2,577,785)	(3,592,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,718,650</u>	<u>(70,170)</u>	<u>9,554,062</u>	<u>11,202,542</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 633,910</u>	<u>\$ -</u>	<u>\$ 6,976,277</u>	<u>\$ 7,610,187</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 433,866	\$ (231,080)	\$ (390,693)	\$ (187,907)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	11,664	1,110,213	390,595	1,512,472
Change in assets and liabilities				
Accounts receivable	101,952	18,541	-	120,493
Other receivables	-	(690,193)	-	(690,193)
Due from other funds	(1,629,815)	(319,550)	-	(1,949,365)
Prepaid expenses	-	(33,063)	-	(33,063)
Accounts payable and accrued expenses	(13,665)	1,092	(435,240)	(447,813)
Escrow deposits	-	(8,847)	-	(8,847)
Deferred revenue	-	(33,877)	-	(33,877)
Due to other funds	439,550	962,024	(968,093)	433,481
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (656,448)</u>	<u>\$ 775,260</u>	<u>\$ (1,403,431)</u>	<u>\$ (1,284,619)</u>

See accompanying notes to the basic financial statements.

**UPPER GWYNEDD TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2021**

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	Pension (and Other Employee Benefit) Trust Funds	
	Police Pension Fund	Police Medical Benefits Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 295,841	\$ 92,065
Investments	<u>20,164,711</u>	<u>366,882</u>
<b>TOTAL ASSETS</b>	<u>20,460,552</u>	<u>458,947</u>
<b>LIABILITIES</b>		
Accounts payable	22,830	244
Due to Township	<u>1,533</u>	<u>19,185</u>
<b>TOTAL LIABILITIES</b>	<u>24,363</u>	<u>19,429</u>
<b>NET POSITION</b>		
Restricted, held in trust for benefits and other purposes	<u>\$ 20,436,189</u>	<u>\$ 439,518</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, 2021**

	Pension (and Other Employee Benefit) Trust Funds	
	Police Pension Fund	Police Medical Benefits Fund
ADDITIONS		
Contributions	\$ 695,531	\$ 54,762
Investment income	2,305,236	24,038
TOTAL ADDITIONS	<u>3,000,767</u>	<u>78,800</u>
DEDUCTIONS		
Benefit payments to retired plan participants	644,130	913
Administrative	104,850	7,893
TOTAL DEDUCTIONS	<u>748,980</u>	<u>8,806</u>
CHANGE IN NET POSITION	2,251,787	69,994
NET POSITION AT BEGINNING OF YEAR	<u>18,184,402</u>	<u>369,524</u>
NET POSITION AT END OF YEAR	<u>\$ 20,436,189</u>	<u>\$ 439,518</u>

*See accompanying notes to the basic financial statements.*

**UPPER GWYNEDD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**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, 2021

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**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, 2021

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**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, 2021

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

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

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

**UPPER GWYNEDD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Budgetary Accounting**

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

**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, 2021**

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**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, 2021.

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, 2019. This condition assessment will be performed every three years. Township roads consist of 49.72 miles.

**UPPER GWYNEDD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has 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 and changes in actuarial assumptions. The deferred outflow related to OPEB activity is the result of changes in actuarial assumptions and differences between projected and actual experience of the plan.

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 qualify for reporting in this category. Deferred inflows related to pension activity are 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. The deferred inflow related to pension activity is the result of differences between projected and actual experience of the police pension plan and net difference between projected and actual earnings on plan investments. The deferred inflow related to OPEB activity is the result of differences between projected and actual earnings on plan investments.

**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, 2021

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**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, 2021, 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, 2021

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**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, 2021.

**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, 2021, 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.

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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, 2021, \$500,000 of the Township's bank balance of \$28,186,683 was insured by the FDIC. Of the remaining \$27,686,683, 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, 2021, the Township had the following investments:

Investment Type	Total	Less Than 1 Year
<b>GOVERNMENTAL ACTIVITIES</b>		
Government National Mortgage Association	\$ 21,597	\$ -
	\$ 21,597	\$ -
<b>PROPRIETARY ACTIVITIES</b>		
Federal National Mortgage Association	\$ 6,208	\$ -
Government National Mortgage Association	85,721	-
	\$ 91,929	\$ -
<b>FIDUCIARY ACTIVITIES</b>		
Mutual funds	\$ 10,457,334	\$ 10,457,334
Real estate funds	191,173	191,173
Common stocks	9,883,086	9,883,086
	\$ 20,531,593	\$ 20,531,593

**UPPER GWYNEDD TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021

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Investment Maturities			
1 to 5 Years	6 to 10 Years	11 to 15 Years	16 to 20 Years
\$ -	\$ -	\$ 11,924	\$ 9,673
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,924</u>	<u>\$ 9,673</u>
\$ -	\$ -	\$ 6,208	\$ -
<u>-</u>	<u>1,920</u>	<u>12,442</u>	<u>71,359</u>
<u>\$ -</u>	<u>\$ 1,920</u>	<u>\$ 18,650</u>	<u>\$ 71,359</u>
\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 Government National Mortgage Association, Federal National Mortgage Association, mutual funds and common stocks of \$107,318, \$6,208, \$10,457,334 and \$9,883,086, respectively, and Level 3 investments in Real Estate funds of \$191,173. 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, 2021	Additions	Deletions	Balance December 31, 2021
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 3,959,692	\$ -	\$ -	\$ 3,959,692
Construction in progress	812,710	-	-	812,710
Infrastructure	20,245,379	-	-	20,245,379
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>25,017,781</b>	<b>-</b>	<b>-</b>	<b>25,017,781</b>
Capital assets being depreciated				
Land improvements	3,294,352	-	-	3,294,352
Infrastructure	10,728,932	175,247	(12,500)	10,891,679
Buildings and improvements	5,746,116	-	-	5,746,116
Equipment, furniture, and vehicles	6,445,738	427,524	-	6,873,262
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>26,215,138</b>	<b>602,771</b>	<b>(12,500)</b>	<b>26,805,409</b>
Accumulated depreciation				
Land improvements	(672,014)	(25,770)	-	(697,784)
Infrastructure	(6,508,108)	(270,366)	-	(6,778,474)
Buildings and improvements	(2,674,578)	(135,313)	-	(2,809,891)
Equipment, furniture, and vehicles	(5,047,765)	(399,092)	-	(5,446,857)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(14,902,465)</b>	<b>(830,541)</b>	<b>-</b>	<b>(15,733,006)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>11,312,673</b>	<b>(227,770)</b>	<b>(12,500)</b>	<b>11,072,403</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 36,330,454</b>	<b>\$ (227,770)</b>	<b>\$ (12,500)</b>	<b>\$ 36,090,184</b>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE C - CAPITAL ASSETS (Continued)**

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ 17,789,611	\$ 2,277,983	\$ -	\$ 20,067,594
Capital assets being depreciated				
Sewer plant	34,453,998	327,509	-	34,781,507
Sewer lines	1,569,769	56,901	-	1,626,670
Engineering	2,356,166	-	-	2,356,166
Machinery and equipment	12,011,591	11,286	-	12,022,877
Vehicles	427,268	56,146	-	483,414
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<b>50,818,792</b>	<b>451,842</b>	<b>-</b>	<b>51,270,634</b>
Accumulated depreciation				
Sewer plant	(22,214,753)	(937,113)	-	(23,151,866)
Sewer lines	(374,679)	(36,255)	-	(410,934)
Engineering	(638,158)	(58,905)	-	(697,063)
Machinery and equipment	(4,815,215)	(447,130)	-	(5,262,345)
Vehicles	(350,427)	(33,069)	-	(383,496)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<b>(28,393,232)</b>	<b>(1,512,472)</b>	<b>-</b>	<b>(29,905,704)</b>
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<b>22,425,560</b>	<b>(1,060,630)</b>	<b>-</b>	<b>21,364,930</b>
 <b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	 <b>\$ 40,215,171</b>	 <b>\$ 1,217,353</b>	 <b>\$ -</b>	 <b>\$ 41,432,524</b>

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

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 169,914
Public safety	269,812
Parks and recreation	50,492
Highways	340,323
	<u>830,541</u>
	<b>\$ 830,541</b>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	General Fund	Enterprise Funds
	<u>                    </u>	<u>                    </u>
Property and transfer taxes	\$ 96,583	\$ -
Earned income taxes	112,157	-
Sewer rent	-	1,955,321
Other receivable	453,516	101,836
	<u>\$ 662,256</u>	<u>\$ 2,057,157</u>

**NOTE E - LONG-TERM OBLIGATIONS**

A summary of transactions affecting long-term obligations for the year ended December 31, 2021, is as follows:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021	Due Within One Year
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Note, Series of 2020	\$ 2,603,000	\$ -	\$ (381,000)	\$ 2,222,000	\$ 457,000
Net OPEB liability	173,073	177,572	-	350,645	-
Compensated absences	61,805	18,893	-	80,698	-
	<u>\$ 2,837,878</u>	<u>\$ 196,465</u>	<u>\$ (381,000)</u>	<u>\$ 2,653,343</u>	<u>\$ 457,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Note, Series of 2020	\$ 5,577,000	\$ -	\$ -	\$ 5,577,000	\$ 468,000
State loan	1,717,655	-	(256,540)	1,461,115	261,718
	<u>\$ 7,294,655</u>	<u>\$ -</u>	<u>\$ (256,540)</u>	<u>\$ 7,038,115</u>	<u>\$ 729,718</u>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE E - LONG-TERM OBLIGATIONS (Continued)**

Future principal and interest payments at December 31, 2021, for the General Obligation Notes, Series of 2020, are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2022	\$ 457,000	\$ 60,686	\$ 517,686	\$ 468,000	\$ 28,222	\$ 496,222
2023	435,000	40,948	475,948	502,000	37,416	539,416
2024	445,000	30,856	475,856	502,000	36,826	538,826
2025	454,000	20,532	474,532	503,000	36,354	539,354
2026	431,000	9,999	440,999	503,000	35,977	538,977
2027	-	-	-	672,000	35,328	707,328
2028	-	-	-	800,000	27,668	827,668
2029	-	-	-	809,000	18,548	827,548
2030	-	-	-	818,000	9,325	827,325
	<u>\$ 2,222,000</u>	<u>\$ 163,021</u>	<u>\$ 2,385,021</u>	<u>\$ 5,577,000</u>	<u>\$ 265,664</u>	<u>\$ 5,842,664</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, 2021, are as follows:

Year Ending December 31,	Principal	Maximum Interest	Totals
2022	\$ 261,718	27,255	288,973
2023	267,000	21,973	288,973
2024	272,390	16,583	288,973
2025	277,888	11,085	288,973
2026	283,497	5,476	288,973
2027	98,622	600	99,222
	<u>\$ 1,461,115</u>	<u>\$ 82,972</u>	<u>\$ 1,544,087</u>



**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>19</u>
	<u><u>39</u></u>

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

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

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

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

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.

**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 2021, the MMO obligation for the plan was \$653,006 for the year 2021. Contributions of \$653,006 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, 2021:

<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, 2021**

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**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, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.14%. 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 asset of the Township at December 31, 2021, were as follows:

Total pension liability	\$ 17,785,964
Plan fiduciary net position	<u>(20,436,189)</u>
NET PENSION ASSET	<u>\$ (2,650,225)</u>
 Plan fiduciary net position as a percentage of the total pension liability	  <u>114.90%</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, 2021**

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**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, 2021 (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, 2021**

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

***Changes in the Net Pension Liability (Asset)***

	Total Pension Liability <u>(a)</u>	Governmental Activities Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a)-(b)</u>
Balance at December 31, 2020	\$ 16,718,258	\$ 18,184,402	\$ (1,466,144)
Changes for the year			
Service cost	379,647	-	379,647
Interest cost	1,145,004	-	1,145,004
Actuarial assumptions	187,185	-	187,185
Contributions			
Employer	-	653,006	(653,006)
Employee	-	42,275	(42,275)
Donations	-	250	(250)
Net investment income	-	2,305,236	(2,305,236)
Benefit payments	(644,130)	(644,130)	-
Administrative expenses	-	(104,850)	104,850
Net Changes	<u>1,067,706</u>	<u>2,251,787</u>	<u>(1,184,081)</u>
Balance at December 31, 2021	<u>\$ 17,785,964</u>	<u>\$ 20,436,189</u>	<u>\$ (2,650,225)</u>

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*** - The following presents the net pension liability (asset) of the Township, calculated using the discount rate 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 <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability (asset)	\$ <u>(424,057)</u>	\$ <u>(2,650,225)</u>	\$ <u>(4,490,841)</u>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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, 2021, the Township recognized pension expense of \$(173,215). At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 89,413	\$ 111,835
Changes in actuarial assumptions	183,732	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>1,926,554</u>
	<u>\$ 273,145</u>	<u>\$ 2,038,389</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>
2022	\$ (349,951)
2023	(783,494)
2024	(451,191)
2025	(180,608)

**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, 2021, plan assets at fair value were \$6,920,067. These assets are not included in these financial statements.

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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 2021 was \$228,204, of which \$217,622 was funded by state contributions and \$10,582 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, 2021, 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	<u>22</u>
	<u>22</u>

**UPPER GWYNEDD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**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 will contribute 1% of their compensation to the plan. The Township is required to pay an actuarially determined amount to support the payment for each member. The costs of administering the plan are paid by the Township.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Township's Board of Commissioners. It is policy to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of December 31, 2021:



**UPPER GWYNEDD TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021

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**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, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.89%. 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, 2021, were as follows:

Total OPEB liability	\$ 790,163
Plan fiduciary net position	<u>(439,518)</u>
<b>NET OPEB LIABILITY</b>	<b>\$ <u>350,645</u></b>

Plan fiduciary net position as a percentage of the total OPEB liability	<u>55.62%</u>
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**Actuarial Assumptions** - The total OPEB 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	2.25%
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.

**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.

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, 2021 (see the plan's investment policy), are summarized in the following table:

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

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. As a result, the discount rate is based on the long-term expected rate of return on OPEB plan investments of 6.0% as of December 31, 2021.

**Changes in the Net OPEB Liability**

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balance at December 31, 2020	\$ 542,597	\$ 369,524	\$ 173,073
Changes for the year			
Service cost	28,716	-	28,716
Interest cost	44,752	-	44,752
Change in benefit terms	166,377	-	166,377
Differences between expected and actual experience	6,023	-	6,023
Changes in actuarial assumptions	2,611	-	2,611
Contributions			
Employer	-	31,627	(31,627)
Employee	-	23,135	(23,135)
Net investment income	-	24,038	(24,038)
Benefit payments	(913)	(913)	-
Administrative expenses	-	(7,893)	7,893
Net Changes	<u>247,566</u>	<u>69,994</u>	<u>177,572</u>
Balance at December 31, 2021	<u>\$ 790,163</u>	<u>\$ 439,518</u>	<u>\$ 350,645</u>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

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

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
Net OPEB liability	\$ <u>398,197</u>	\$ <u>350,645</u>	\$ <u>306,782</u>

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

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended December 31, 2021, the Township recognized OPEB expense of \$199,370. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,425	\$ -
Changes in actuarial assumptions	2,326	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>13,972</u>
	<u>\$ 7,751</u>	<u>\$ 13,972</u>

**UPPER GWYNEDD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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>
2022	\$ (1,683)
2023	(7,166)
2024	(2,165)
2025	858
2026	954
Thereafter	2,981

**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, 2021:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Transfers</u>	
			<u>In</u>	<u>Out</u>
GENERAL FUND	\$ 21,260	\$ 3,178,425	\$ 802,342	\$ 1,949,371
SPECIAL REVENUE FUNDS				
Fire Protection Fund	852,168	-	-	21,500
CAPITAL PROJECT FUND				
Capital Reserve Fund	2,326,257	-	1,949,371	339,842
ENTERPRISE FUNDS				
Sewer Revenue Fund	2,409,645	1,382,861	40,450	480,000
Sewer Fund	1,101,958	1,700,963	360,000	361,450
Sewer Expansion Fund	278,496	727,535	-	-
TOTAL ENTERPRISE FUNDS	<u>3,790,099</u>	<u>3,811,359</u>	<u>400,450</u>	<u>841,450</u>
	<u>\$ 6,989,784</u>	<u>\$ 6,989,784</u>	<u>\$ 3,152,163</u>	<u>\$ 3,152,163</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, 2021

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

Revenues of the Sewer Fund (\$361,450) were transferred to the General Fund (\$321,000) and to the Sewer Revenue Fund to finance budgetary expenditures and administrative services provided. Revenues of the Sewer Revenue Fund (\$480,000) were transferred to the General Fund (\$120,000) and the Sewer Fund (\$360,000) to finance budgetary expenditures and administrative services provided.

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

**NOTE K - RISK MANAGEMENT**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER GWYNEDD TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Real estate taxes, net	\$ 2,860,800	\$ 2,860,800	\$ 2,926,123	\$ 65,323
Earned income taxes	5,306,700	5,306,700	6,552,626	1,245,926
Local services tax	851,200	851,200	939,789	88,589
Real estate transfer tax	453,900	453,900	658,358	204,458
Intergovernmental revenues	748,289	748,289	786,086	37,797
Licenses and permits	329,697	329,697	349,874	20,177
Fees and fines	23,800	23,800	32,911	9,111
Departmental earnings	1,000,695	1,000,695	1,156,024	155,329
Investment income and rents	21,300	21,300	15,380	(5,920)
Refunds of prior year expenses	-	-	26,730	26,730
Miscellaneous	6,500	6,500	168,767	162,267
TOTAL REVENUES	<u>11,602,881</u>	<u>11,602,881</u>	<u>13,612,668</u>	<u>2,009,787</u>
<b>EXPENDITURES</b>				
General government	2,332,237	2,332,237	2,003,069	329,168
Public safety	5,542,890	5,542,890	5,745,010	(202,120)
Parks and recreation	1,434,563	1,434,563	1,335,144	99,419
Highways	3,197,448	3,197,448	2,078,719	1,118,729
Insurance and employee benefits	186,709	186,709	(5,027)	191,736
Debt service				
Principal retirement	425,930	425,930	381,000	44,930
Interest paid	-	-	16,333	(16,333)
TOTAL EXPENDITURES	<u>13,119,777</u>	<u>13,119,777</u>	<u>11,554,248</u>	<u>1,565,529</u>
EXCESS (DEFICIENCY) OF REVENUES OF OVER EXPENDITURES	<u>(1,516,896)</u>	<u>(1,516,896)</u>	<u>2,058,420</u>	<u>3,575,316</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(200,000)	(200,000)	(1,949,371)	(1,749,371)
Operating transfers in	1,722,500	1,722,500	802,342	(920,158)
Proceeds from sale of fixed assets	10,000	10,000	3,201	(6,799)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,532,500</u>	<u>1,532,500</u>	<u>(1,143,828)</u>	<u>(2,676,328)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,604</u>	<u>\$ 15,604</u>	914,592	<u>\$ 898,988</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>13,064,494</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 13,979,086</u>	

**UPPER GWYNEDD TOWNSHIP**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
**YEAR ENDED DECEMBER 31, 2021**

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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

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



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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 379,647	\$ 346,480	\$ 362,380
Interest	1,145,004	1,125,469	1,073,293
Changes of benefit terms	-	-	11,090
Differences between expected and actual experience	-	(180,905)	(10,524)
Changes of assumptions	187,185	-	-
Benefit payments	<u>(644,130)</u>	<u>(608,863)</u>	<u>(739,942)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,067,706	682,181	696,297
Total pension liability, beginning	<u>16,718,258</u>	<u>16,036,077</u>	<u>15,339,780</u>
 TOTAL PENSION LIABILITY, ENDING (a)	 <u>\$ 17,785,964</u>	 <u>\$ 16,718,258</u>	 <u>\$ 16,036,077</u>
 <b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 653,006	\$ 718,175	\$ 697,043
Employee	42,275	33,839	34,211
Donations	250	-	-
Net investment income	2,305,236	2,304,032	2,604,239
Benefit payments, including refunds of member contributions	(644,130)	(608,863)	(739,942)
Administrative expense	<u>(104,850)</u>	<u>(78,751)</u>	<u>(84,644)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,251,787	2,368,432	2,510,907
Plan fiduciary net position, beginning	<u>18,184,402</u>	<u>15,815,970</u>	<u>13,305,063</u>
 PLAN FIDUCIARY NET POSITION, ENDING (b)	 <u>\$ 20,436,189</u>	 <u>\$ 18,184,402</u>	 <u>\$ 15,815,970</u>
 NET PENSION LIABILITY, (ASSET), ENDING (a)-(b)	 <u>\$ (2,650,225)</u>	 <u>\$ (1,466,144)</u>	 <u>\$ 220,107</u>
 <b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	 <u>114.90%</u>	 <u>108.77%</u>	 <u>98.63%</u>
 <b>COVERED PAYROLL</b>	 <u>\$ 2,298,429</u>	 <u>\$ 2,183,318</u>	 <u>\$ 2,114,408</u>
 <b>NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL</b>	 <u>-115.31%</u>	 <u>-67.15%</u>	 <u>10.41%</u>

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	323,171	\$ 313,994	\$ 282,430	\$ 334,046	\$ 292,665
	992,538	916,312	862,768	820,482	796,330
	-	-	-	-	-
	417,537	-	86,978	(286,531)	-
	-	348,276	-	-	-
	<u>(498,820)</u>	<u>(498,823)</u>	<u>(498,822)</u>	<u>(498,822)</u>	<u>(498,822)</u>
	1,234,426	1,079,759	733,354	369,175	590,173
	<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><u>15,339,780</u></u>	<u><u>14,105,354</u></u>	<u><u>13,025,595</u></u>	<u><u>12,292,241</u></u>	<u><u>11,923,066</u></u>
\$	758,957	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
	24,104	-	-	-	-
	-	-	-	-	-
	(652,183)	1,820,133	702,217	102,556	561,678
	(498,820)	(498,823)	(498,822)	(498,822)	(498,822)
	<u>(75,638)</u>	<u>(71,441)</u>	<u>(65,902)</u>	<u>(89,121)</u>	<u>(65,350)</u>
	(443,580)	1,986,915	862,125	282,391	487,289
	<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><u>13,305,063</u></u>	<u><u>13,748,643</u></u>	<u><u>11,761,728</u></u>	<u><u>10,899,603</u></u>	<u><u>10,617,212</u></u>
\$	<u><u>2,034,717</u></u>	<u><u>356,711</u></u>	<u><u>1,263,867</u></u>	<u><u>1,392,638</u></u>	<u><u>1,305,854</u></u>
	<u>86.74%</u>	<u>97.47%</u>	<u>90.30%</u>	<u>88.67%</u>	<u>89.05%</u>
\$	<u><u>2,339,825</u></u>	<u><u>2,180,743</u></u>	<u><u>2,132,118</u></u>	<u><u>2,011,419</u></u>	<u><u>2,054,865</u></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 EIGHT FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 653,006	\$ 718,175	\$ 697,043
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>653,006</u>	<u>718,175</u>	<u>697,043</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
COVERED PAYROLL	\$ <u><u>2,298,429</u></u>	\$ <u><u>2,183,318</u></u>	\$ <u><u>2,114,408</u></u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u><u>28.41%</u></u>	<u><u>32.89%</u></u>	<u><u>32.97%</u></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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 758,957	\$ 737,046	\$ 724,632	\$ 767,778	\$ 489,783
<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><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>2,339,825</u></u>	\$ <u><u>2,180,743</u></u>	\$ <u><u>2,132,118</u></u>	\$ <u><u>2,011,419</u></u>	\$ <u><u>2,054,865</u></u>
<u><u>32.44%</u></u>	<u><u>33.80%</u></u>	<u><u>33.99%</u></u>	<u><u>38.17%</u></u>	<u><u>23.84%</u></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 EIGHT FISCAL YEARS

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	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.14%</u>	<u>14.03%</u>	<u>19.07%</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.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</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 FIVE FISCAL YEARS**

	2021	2020	2019	2018	2017
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 28,716	\$ 20,473	\$ 21,030	\$ 13,415	\$ 13,038
Interest	44,752	32,687	31,652	19,939	18,257
Changes of benefit terms	166,377	-	157,785	-	-
Differences between expected and actual experience	6,023	-	93	-	-
Changes of assumptions	2,611	-	-	-	-
Benefit payments	(913)	(69,749)	-	(7,266)	-
NET CHANGE IN TOTAL OPEB LIABILITY	247,566	(16,589)	210,560	26,088	31,295
Total OPEB liability, beginning	542,597	559,186	348,626	322,538	291,243
<b>TOTAL OPEB LIABILITY, ENDING (a)</b>	<b>\$ 790,163</b>	<b>\$ 542,597</b>	<b>\$ 559,186</b>	<b>\$ 348,626</b>	<b>\$ 322,538</b>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
Employer	\$ 31,627	\$ 31,627	\$ 4,113	\$ -	\$ 5,000
Employee	23,135	21,576	22,151	19,009	18,754
Net investment income	24,038	36,178	44,054	(8,492)	15,842
Benefit payments	(913)	(69,749)	-	(7,266)	-
Administrative expense	(7,893)	(19,048)	(11,487)	(5,460)	(10,342)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	69,994	584	58,831	(2,209)	29,254
Plan fiduciary net position, beginning	369,524	368,940	310,109	312,318	283,064
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 439,518</b>	<b>\$ 369,524</b>	<b>\$ 368,940</b>	<b>\$ 310,109</b>	<b>\$ 312,318</b>
<b>NET OPEB LIABILITY, ENDING (a)-(b)</b>	<b>\$ 350,645</b>	<b>\$ 173,073</b>	<b>\$ 190,246</b>	<b>\$ 38,517</b>	<b>\$ 10,220</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>	<b>55.62%</b>	<b>68.10%</b>	<b>65.98%</b>	<b>88.95%</b>	<b>96.83%</b>
<b>COVERED PAYROLL</b>	<b>\$ 2,721,008</b>	<b>\$ 2,455,763</b>	<b>\$ 2,386,192</b>	<b>\$ 2,470,023</b>	<b>\$ 2,250,480</b>
<b>NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>12.89%</b>	<b>7.05%</b>	<b>7.97%</b>	<b>1.56%</b>	<b>0.45%</b>

**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.

**UPPER GWYNEDD TOWNSHIP**  
**SCHEDULE OF OPEB PLAN CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 72,225	\$ 31,627	\$ 31,627	\$ 4,113	\$ 4,113
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>31,627</u>	<u>31,627</u>	<u>4,113</u>	<u>-</u>	<u>(5,000)</u>
CONTRIBUTION EXCESS (DEFICIENCY)	<u>\$ (40,598)</u>	<u>\$ -</u>	<u>\$ (27,514)</u>	<u>\$ (4,113)</u>	<u>\$ 887</u>
COVERED PAYROLL	<u>\$ 2,721,008</u>	<u>\$ 2,455,763</u>	<u>\$ 2,386,192</u>	<u>\$ 2,470,023</u>	<u>\$ 2,250,480</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>1.16%</u>	<u>1.29%</u>	<u>0.17%</u>	<u>0.00%</u>	<u>0.22%</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	January 1, 2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	10 years	11 years
Asset valuation method	Market value	Market value	Market value
Inflation	2.25%	2.25%	2.25%
Salary increases	4.5% annual increase	4.5% annual increase	4.5% annual increase
Investment rate of return	6.0%	6.0%	5.0%
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Mortality	Pub-2010 Table	RP 2014 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.



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

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	<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>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, 2021**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Protection Fund	State Liquid Fuels Tax (Highway Aid) Fund	Capital Reserve Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 216,432	\$ 295,140	\$ 717,647	\$ 1,229,219
Due from other funds	852,168	-	2,326,257	3,178,425
<b>TOTAL ASSETS</b>	<b>\$ 1,068,600</b>	<b>\$ 295,140</b>	<b>\$ 3,043,904</b>	<b>\$ 4,407,644</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,749	\$ -	\$ -	\$ 12,749
<b>FUND BALANCES</b>				
Restricted				
Highway and street projects	-	295,140	-	295,140
Fire protection	1,055,851	-	-	1,055,851
Assigned				
Capital projects	-	-	3,043,904	3,043,904
<b>TOTAL FUND BALANCES</b>	<b>1,055,851</b>	<b>295,140</b>	<b>3,043,904</b>	<b>4,394,895</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,068,600</b>	<b>\$ 295,140</b>	<b>\$ 3,043,904</b>	<b>\$ 4,407,644</b>

**UPPER GWYNEDD TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Protection Fund	State Liquid Fuels Tax (Highway Aid) Fund	Capital Reserve Fund	
<b>REVENUES</b>				
Real estate taxes, net	230,844	\$ -	\$ -	\$ 230,844
Intergovernmental revenues	\$ -	447,479	-	447,479
Investment income and rents	255	507	574	1,336
<b>TOTAL REVENUES</b>	<u>231,994</u>	<u>447,986</u>	<u>574</u>	<u>680,554</u>
<b>EXPENDITURES</b>				
Public safety	194,367	-	-	194,367
Highways	-	633,528	-	633,528
<b>TOTAL EXPENDITURES</b>	<u>194,367</u>	<u>633,528</u>	<u>-</u>	<u>827,895</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>37,627</u>	<u>(185,542)</u>	<u>574</u>	<u>(147,341)</u>
<b>OTHER FINANCING USES</b>				
Operating transfers out	(21,500)	-	(339,842)	(361,342)
Operating transfers in	-	-	1,949,371	1,949,371
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(21,500)</u>	<u>-</u>	<u>1,609,529</u>	<u>1,588,029</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	16,127	(185,542)	1,610,103	1,440,688
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>1,039,724</u>	<u>480,682</u>	<u>1,433,801</u>	<u>2,954,207</u>
<b>FUND BALANCES AT END OF YEAR</b>				
	<u>\$ 1,055,851</u>	<u>\$ 295,140</u>	<u>\$ 3,043,904</u>	<u>\$ 4,394,895</u>