

**TOWAMENCIN TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2016*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

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**YEAR ENDED DECEMBER 31, 2016**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Supervisors  
Towamencin Township  
Kulpsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Towamencin Township as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Towamencin Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Towamencin Township as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors  
Towamencin Township  
Kulpsville, Pennsylvania

***Emphasis of Matter***

For the year ended December 31, 2016, Towamencin Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on page 69, pension plan information on pages 70 through 75 and postemployment benefits other than pension funding progress on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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



Oaks, Pennsylvania  
June 5, 2017

# **TOWAMENCIN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2016**

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Our discussion and analysis of Towamencin Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Township's financial statements which begin with the statement of net position.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities at the close of the calendar year by \$36,854,855 (net position).
- As of December 31, 2016, the Township's governmental funds reported combined ending balances of \$2,687,946.
- The Township reduced the outstanding debt with principal payments of \$1,320,000. The average variable interest rate on three notes with the Delaware Valley Regional Financing Authority was 1.213%, including an average administrative fee of .85%.
- As of December 31, 2016, the Township's proprietary funds reported combined ending balances of \$2,696,681 for sewer related operations. Sewer rental fees did not increase in 2016.
- The Township continued to offer the Homestead and Farmstead exclusions and maintained the real estate tax rate of 3.808 mills for 2016.
- During 2016, forty-two new homes were completed with combined assessed values in excess of \$7.5 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future. The required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The Township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.



# TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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**Government-wide Financial Statements** - The government-wide financial statements provide a broad overview of Towamencin Township's finances, in a manner similar to a private-sector business. Please note that the Towamencin Township Infrastructure Authority, although considered a major fund of the Township, is discussed in detail in a separate audit. The Statement of Net Position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future calendar periods (e.g., uncollected taxes). Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- **Governmental Activities:** Most of the Township's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government, public safety, highway and streets, and culture and recreation.
- **Business-Type Activities:** The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sewer services

**Fund Financial Statements** - The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds begin on page 77. All of the funds of the Township can be divided into three categories: governmental, proprietary and fiduciary

- **Governmental Funds:** Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short-term.

- **Proprietary Funds:** When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise) utilize the accrual basis of accounting; the same method used by private sector businesses. Enterprise fund report activities that provide supplies and services to the general public, such as sewer services.

# TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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- ***Fiduciary Funds:*** The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has two pension funds--Police and Non-Uniform. In addition, the Township maintains escrow accounts for land developments. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

## **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 27 of this report.

## **Other Information**

This information includes combining financial statements for non-major governmental funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as is done with major funds, on the governmental fund financial statements. This section also contains the Township's required supplementary pension information.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

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 answer the question, "How did the Township do financially during 2016?". These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them during the year. This change in net position is important because it informs the reader whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors could include changes in the Township's property tax base and the condition of Township's assets.

In the Statement of Net Position and the Statement of Activities, the Township is divided into two kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including general government, public safety, streets and highway, and culture and recreation. Real estate taxes, earned income taxes, permits, fees and charges for services finance most of these activities.
- **Business-Type Activities** - The Township charges a fee to cover the cost of the sanitary sewer system in the Township

**TOWAMENCIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities. Assets exceeded liabilities by \$36,854,855 at the close of 2016. This is an increase of \$1,258,392 from the previous year.

**Table 1**  
**Condensed Statement of Net Position**  
**December 31, 2016 and 2015**

	2016		2015		2016 Totals	2015 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>						
Cash and investments	\$ 2,440,496	\$ 3,327,075	\$ 1,696,987	\$ 2,106,266	\$ 5,767,571	\$ 3,803,253
Other assets	740,533	933,079	461,839	1,076,694	1,673,612	1,538,533
Capital assets	51,940,820	792,970	53,459,587	813,566	52,733,790	54,273,153
<b>TOTAL ASSETS</b>	<b>55,121,849</b>	<b>5,053,124</b>	<b>55,618,413</b>	<b>3,996,526</b>	<b>60,174,973</b>	<b>59,614,939</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	810,528	-	1,080,703	-	810,528	1,080,703
<b>LIABILITIES</b>						
Other liabilities	489,755	59,443	1,709,811	233,511	549,198	1,943,322
Long-term liabilities	20,842,395	2,297,000	20,476,149	2,297,000	23,139,395	22,773,149
<b>TOTAL LIABILITIES</b>	<b>21,332,150</b>	<b>2,356,443</b>	<b>22,185,960</b>	<b>2,530,511</b>	<b>23,688,593</b>	<b>24,716,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	442,053	-	382,708	-	442,053	382,708
<b>NET POSITION</b>						
Net investment in capital assets	34,722,526	792,970	35,487,022	813,566	35,515,496	36,300,588
Restricted	964,024	-	344,049	-	964,024	344,049
Unrestricted	(1,528,376)	1,903,711	(1,700,623)	652,449	375,335	(1,048,174)
<b>TOTAL NET POSITION</b>	<b>\$ 34,158,174</b>	<b>\$ 2,696,681</b>	<b>\$ 34,130,448</b>	<b>\$ 1,466,015</b>	<b>\$ 36,854,855</b>	<b>\$ 35,596,463</b>

The largest portion of the Township's net position, \$35,515,496 is reflected in its investment in capital assets (land, buildings, and equipment) less any related debt, which is still outstanding. The Township uses these assets to provide services to residents; consequently, these assets are not available for future spending, and the resources needed to repay this debt must be provided from other sources. Cash and investments in the amount of \$5,767,571 represent 9.6% of the Township's total assets.

The net position in the governmental activities increased \$27,726.

**TOWAMENCIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

The net position of the business-type activities increased \$1,230,666. The increase was due to continued investments of infiltration & inflow reduction efforts within the Township's sanitary sewer system as required by DEP.

**Table 2**  
**Condensed Statement of Changes in Net Position**  
**Years Ended December 31, 2016 and 2015**

	2016		2015		2016 Totals	2015 Totals
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities		
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 769,963	\$ 4,196,208	\$ 985,821	\$ 4,072,695	\$ 4,966,171	\$ 5,058,516
Operating grants and contributions	2,038,680	1,213,214	1,184,211	1,444,540	3,251,894	2,628,751
Capital grants and contributions	168,538	-	273,974	-	168,538	273,974
General revenues						
Taxes	7,300,353	-	7,416,240	-	7,300,353	7,416,240
Cable TV franchise tax	397,356	-	377,612	-	397,356	377,612
Investment earnings	6,117	3,927	3,053	1,522	10,044	4,575
Other	144,663	-	84,857	-	144,663	84,857
<b>TOTAL REVENUES</b>	<b>10,825,670</b>	<b>5,413,349</b>	<b>10,325,768</b>	<b>5,518,757</b>	<b>16,239,019</b>	<b>15,844,525</b>
<b>EXPENSES</b>						
General government	1,547,544	-	954,607	-	1,547,544	954,607
Public safety	5,201,467	-	5,078,502	-	5,201,467	5,078,502
Public works, highway and streets	4,061,924	-	4,119,809	-	4,061,924	4,119,809
Culture and recreation, parks	712,340	-	774,960	-	712,340	774,960
Interest	358,869	-	357,478	-	358,869	357,478
Sewer operations	-	3,098,483	-	2,915,110	3,098,483	2,915,110
<b>TOTAL EXPENSES</b>	<b>11,882,144</b>	<b>3,098,483</b>	<b>11,285,356</b>	<b>2,915,110</b>	<b>14,980,627</b>	<b>14,200,466</b>
<b>TRANSFERS, net</b>	<b>1,084,200</b>	<b>(1,084,200)</b>	<b>1,006,000</b>	<b>(1,006,000)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>27,726</b>	<b>1,230,666</b>	<b>46,412</b>	<b>1,597,647</b>	<b>1,258,392</b>	<b>1,644,059</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>34,130,448</b>	<b>1,466,015</b>	<b>34,084,036</b>	<b>(131,632)</b>	<b>35,596,463</b>	<b>33,952,404</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 34,158,174</b>	<b>\$ 2,696,681</b>	<b>\$ 34,130,448</b>	<b>\$ 1,466,015</b>	<b>\$ 36,854,855</b>	<b>\$ 35,596,463</b>

**Governmental Activities**

As indicated by the governmental program expenses, public safety programs and highways/streets services account for approximately 45% and 39.6%, respectively, of the total expenditures of the Township's governmental activities. General administration and parks and recreation account for approximately 12.3% combined. Long-term debt interest accounts for 3.0% of the total expenses.

**TOWAMENCIN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

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Real estate taxes, earned income tax and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. Real estate taxes and real estate transfer taxes provide approximately 30.2% and 4.1% of total revenues, respectively. The earned income tax and the local services tax provide 33.2% of the governmental revenues. The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed. Below are the last six years of Real Estate, Real Estate Transfer, Earned Income and Local Service tax receipts:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Real Estate Tax	\$ 3,264,691	\$ 3,300,150	\$ 2,888,496	\$ 2,823,430	\$ 2,876,907	\$ 2,743,772
Transfer Tax	447,171	689,806	374,692	438,634	342,469	221,987
Earned Income Tax	3,261,538	3,115,146	2,964,347	2,826,882	2,788,334	2,614,619
Local Service Tax	326,953	311,138	297,782	287,717	261,154	276,977

**Business-type Activities**

During 2015, Upper Gwynedd Township withdrew from the jointly operated Authority with Towamencin Township (UGTMA) consisting of a sewage treatment plant and collection system.

The treatment plant is operated by the Towamencin Municipal Authority (TMA), a component unit of the Township. Treatment plant operations are financed by operating service charges paid by Towamencin Township. The Authority's debt service requirements are also guaranteed by the Township.

Residential properties in the Township pay sewer rent in the amount of \$375 per year. Commercial properties are billed twice a year, in arrears, based on water usage. A connection/tapping fee assessed in accordance with recent state law modifications is charged when a property ties into the system.

During 2016, the Township received tapping fees for 6 residential and 100.8 commercial EDUs. The total amount received was \$89,441.

**Financial Analysis of the Township's Funds**

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2016, the Township's governmental funds reported combined ending balances of \$2,687,946, an increase of \$840,847 as compared to the prior year.

# TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

The **General Fund** is the chief operating fund of Towamencin Township. As of December 31, 2016, the total fund balance of the General Fund was \$1,389,640, all of which is unassigned except for \$6,511 representing prepaid expenses. The fund balance increased \$89,329 in fiscal year 2016. Key factors attributing to the increase are as follows:

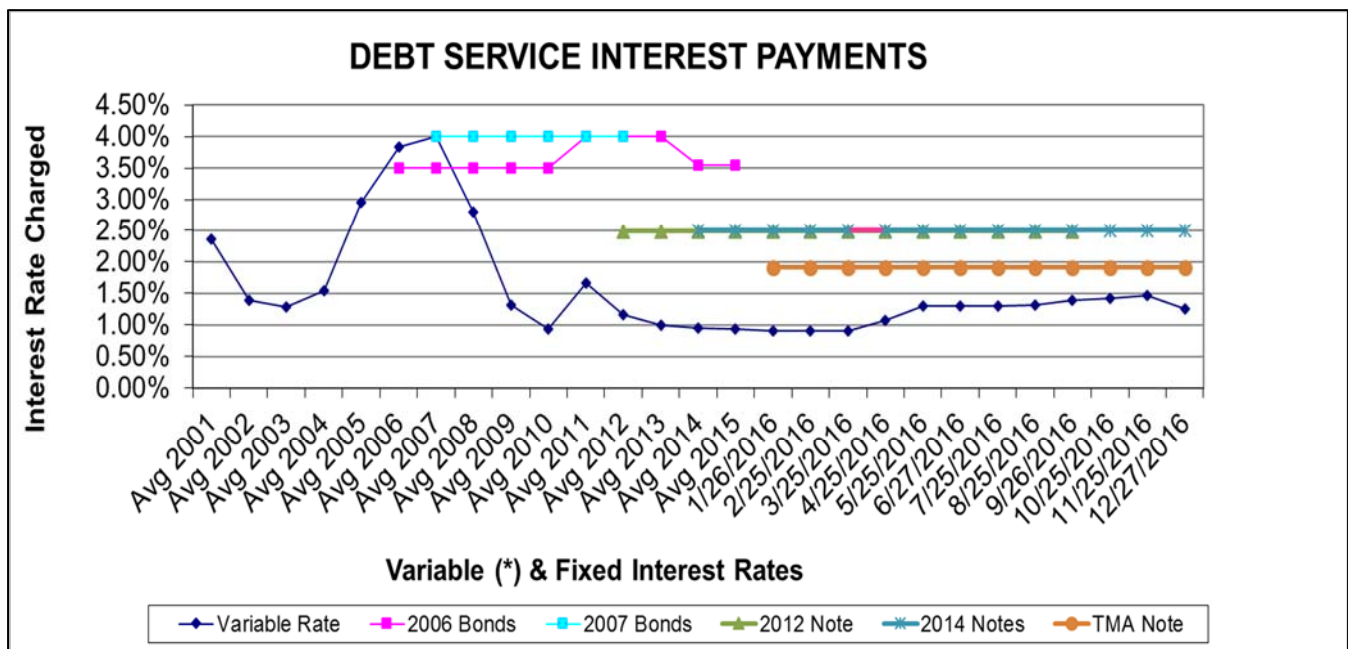
- Act 511 Tax revenues exceeded budgeted estimates by a total of \$100,000.
- Building & Construction permits surpassed budget by \$22,000.
- Public Safety department expenses were lower than anticipated due to the timing of personnel replacements and a retirement.

The **Traffic Impact Fund** was created in 1992 subsequent to the enactment of Act 209 of 1991. The impact fee is calculated upon (1) estimated peak afternoon trips generated by future development and (2) Township roadway improvements required to meet the increased demand of traffic. The Roadway Sufficiency Analysis, amended in 1996, resulted in the current per trip fee of \$2,198. These impact fees can be used to fund engineering, right-of-way acquisition and construction of traffic improvements in the Act 209 area.

In 2016, the Township received \$43,814 in Traffic Impact fees to account for the completion of 29 homes in the Mainland Square Subdivision.

The **Debt Service Fund** provides payment for all principal and interest on Township general obligation bonds and notes, and capital lease payments. In addition, a transfer is made to the Towamencin Township Infrastructure Authority equal to its annual debt service. A real estate tax (.807 mills) is assessed for this purpose.

The average variable rate of interest including the average monthly administration fee of .85% charged by the Delaware Valley Regional Finance Authority (DVRFA) during 2016 was 1.213%. This rate applies to Notes issued in 2000 (\$7,365,000), 2002 (\$6,000,000), 2012 (\$3,062,000) and 2013 (\$2,500,000).



## **TOWAMENCIN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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As of December 31, 2016, the fund balance of the Debt Service Fund was \$2,242. This is the amount available for future debt service payments.

The **Towamencin Township Infrastructure Authority** is a component unit of the Township. The Authority is charged with projects by resolution of the Township. Its current responsibility is the engineering and right-of-way acquisition for the Forty Foot Road project. The Pennsylvania Department of Transportation (PennDOT) was responsible for construction.

Revenues in 2016 included \$16 in interest earnings, \$100,242 in reimbursements from PennDOT and transfers from the Township in the amount of \$667,802.

In 2015, the Authority advance refunded general revenue bonds issued in 2006 with Notes from First National Bank and Trust Company of Newtown with a fixed interest rate of 2.5%. Debt Service expense paid in 2016 was \$613,602.

The **General Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from an annual transfer from the General Fund, the sale of fixed assets and various grants. In 2016, the transfer from the general fund totaled \$171,000 and the sale of assets generated \$37,911. The Township entered into a lease purchase agreement to fund the purchase of a farm tractor, IT infrastructure, 11 mobile data computers, a pick-up truck and two dump trucks.

The **Park Capital Fund** provides funding for major capital expenditures of the Township. Revenue is provided from real estate taxes, grants, impact fees, and from the sale of fixed assets. In 2016, the Township extended foul line fencing on the baseball fields in Bustard Park and added bleachers to the fields at Grist Mill. Additionally, the Township Engineer began work to expedite the review and permitting process by the Montgomery County Conservation District for the General Nash Elementary School Athletic Field Project.

# TOWAMENCIN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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## Capital Assets and Debt Administration

**Capital Assets** - The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2016 totals \$51,940,820 and \$792,970, respectively (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, machinery and equipment, automobiles and trucks, sanitary sewer, and infrastructure improvements. Infrastructure includes roads, bridges, and traffic signals. The business-type activities are the sanitary sewer lines, pumping stations and equipment.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 4,959,269	\$ -
Leasehold improvements	-	823,864
Vehicles	2,208,358	-
Land improvements	7,101,057	-
Buildings and improvements	7,330,417	-
Machinery and equipment	2,717,395	36,372
Infrastructure	59,955,727	-
Accumulated depreciation	<u>(32,331,403)</u>	<u>(67,266)</u>
TOTAL	<u>\$ 51,940,820</u>	<u>\$ 792,970</u>

### **This year's major additions included:**

#### **GOVERNMENTAL ACTIVITIES**

Replace roof on carriage house pavilion	\$ 10,643
IT infrastructure replacements/improvements	210,365
Traffic signal improvements	119,284
Police vehicles	116,172
Public Works vehicles and equipment	529,158

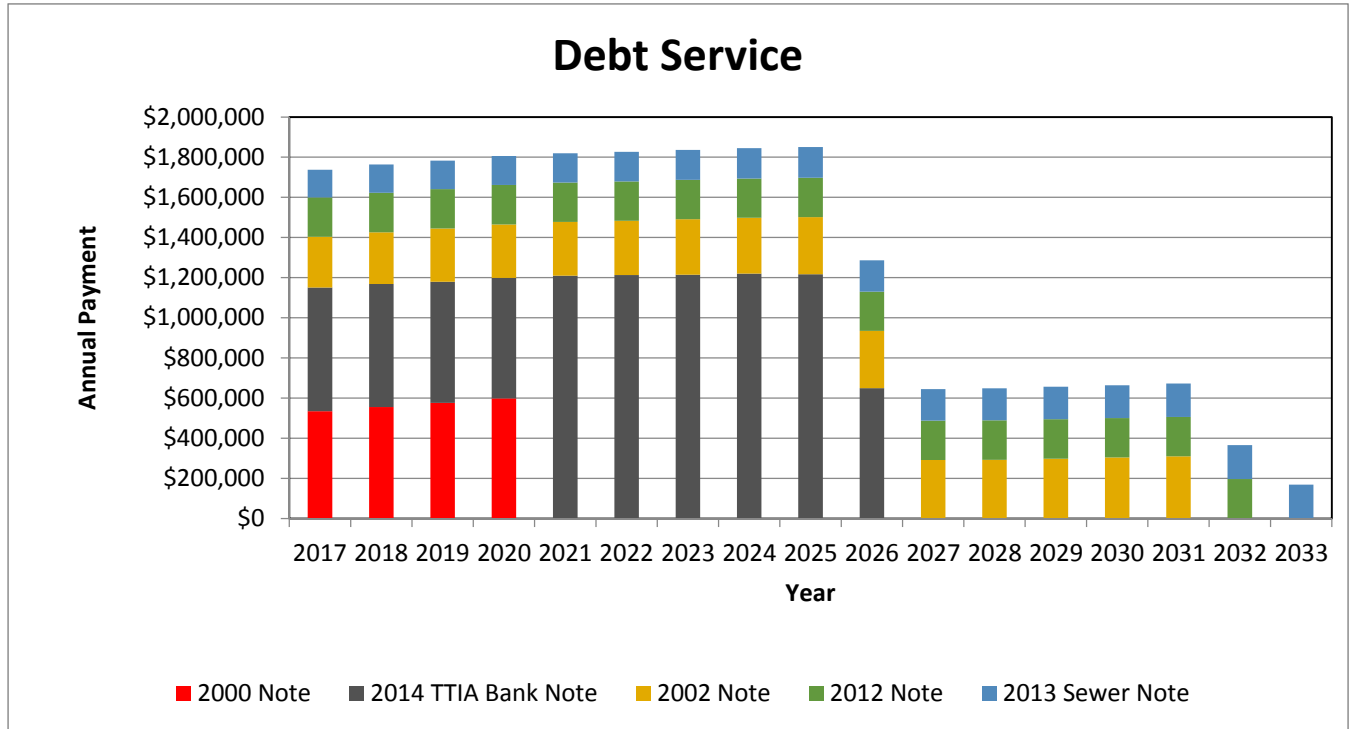
Additional information about the Township's capital assets can be found in Note E on pages 41 and 42 of this report.

**Long-Term Debt** - At year-end the Township had \$16,468,000 in outstanding bonds and notes compared to \$17,685,000 last year for governmental activities. The Infrastructure Authority's debt of \$7,978,000 is included in these amounts. The principal that is due within one year for governmental activities is \$1,258,000.



**TOWAMENCIN TOWNSHIP**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

The Chart below outlines the payment structure of the outstanding bonds and notes for the Township and the Infrastructure Authority including interest.



Additional information about the Township’s long-term debt can be found in Note G on pages 43 through 48 of this report.

**Economic Factors**

Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 17,700 and 6,800 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale.

The top three major employers in the Township are:

1. North Penn School District
2. Greene Tweed & Company, Inc.
3. Living Branches

The assessed valuations of the three largest taxpayers are:

- |    |  |              |
|----|--|--------------|
| 1. | Towamencin Apt. Joint Venture<br>Jacobs Woods Apartments | \$26,381,000 |
|----|--|--------------|

# TOWAMENCIN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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2.	KCI Lansdale Investors LP Ave Lansdale Apartments	20,700,000
3.	Souderton Industrial Development Authority Dock Woods Community, Inc. Dock Terrace Nursing Home	13,666,300

### NEXT YEAR'S BUDGET

The elected officials of Towamencin Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2017 real estate tax rate will remain the same as in 2016. The homestead and farmstead exemptions will remain at \$45,000. Therefore, a "typical" household with a \$150,000 real estate tax assessment will pay \$400 in real estate taxes. Approximately 4,600 homeowners in the Township participate in the homestead exemption program.

The sewer rental fee will remain unchanged at \$375 for 2017. Property owners with on-lot sewer systems will continue to be charged annually to cover the costs of inspections required by the Commonwealth of Pennsylvania. For the past decade, the Township had been successful in receiving grant funds from DEP to offset the cost of inspections. In recent years, these grant funds have been continually declining. Consequently, the Board began collecting fees in 2012 to cover the cost of the program. The Board increased the inspection interval from three to four years for on-lot systems resulting in a decrease of the annual fee from \$40 to \$30 beginning 2017.

On the expense side, the Township plans to continue efforts to alleviate the Inflow and Infiltration (I&I) of storm water into the sanitary sewer treatment system. The 2017 budget provides \$250,000 for that purpose. Additional capital expenses include repairs to the municipal complex, repairs to the Anders Road Bridge and several vehicle replacements.

Despite budgeting challenges created by present-day economic conditions, the Township strives to provide the same high level of services to its residents as in past years.

### 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. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Robert A. Ford, Township Manager, Towamencin Township, PO Box 303, Kulpsville, PA 19443 or by telephone at 215-368-7602.

General information relating to Towamencin Township, Pennsylvania can be found at the Township's website [www.towamencin.org](http://www.towamencin.org)

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Robert A. Ford  
Township Manager

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Maureen Doyle  
Finance Director

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Towamencin Municipal Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,824,965	\$ 3,079,075	\$ 4,904,040	\$ 1,340,201
Investments	615,531	248,000	863,531	-
Accounts receivable	549,506	933,079	1,482,585	15,066
Taxes receivable	176,946	-	176,946	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Prepaid expenses	14,081	-	14,081	-
Capital assets				
Land	4,959,269	-	4,959,269	-
Construction in progress	-	-	-	-
Land improvements	7,101,057	-	7,101,057	-
Buildings and improvements	7,330,417	-	7,330,417	-
Machinery and equipment	2,717,395	36,372	2,753,767	-
Vehicles	2,208,358	-	2,208,358	-
Infrastructure	59,955,727	-	59,955,727	-
Sewer system and plant	-	823,864	823,864	54,516,812
Accumulated depreciation	(32,331,403)	(67,266)	(32,398,669)	(30,747,212)
<b>TOTAL ASSETS</b>	<b>55,121,849</b>	<b>5,053,124</b>	<b>60,174,973</b>	<b>25,124,867</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources, pension activity	810,528	-	810,528	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	301,421	59,443	360,864	125,117
Payroll and withholding taxes payable	155,092	-	155,092	-
Due to primary government	-	-	-	255,347
Escrow deposits	-	-	-	3,871
Accrued interest	33,242	-	33,242	-
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	1,258,000	106,000	1,364,000	-
Capital lease payable	293,919	-	293,919	-
Portion due or payable after one year				
Bonds and note payable	15,210,000	2,191,000	17,401,000	4,559,199
Capital lease payable	456,376	-	456,376	-
Compensated absences	34,145	-	34,145	-
Other postemployment benefits	1,401,442	-	1,401,442	-
Net pension liability	2,188,513	-	2,188,513	-
<b>TOTAL LIABILITIES</b>	<b>21,332,150</b>	<b>2,356,443</b>	<b>23,688,593</b>	<b>4,943,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources, pension activity	442,053	-	442,053	-
<b>NET POSITION</b>				
Net investment in capital assets	34,722,526	792,970	35,515,496	19,210,401
Restricted	964,024	-	964,024	601,417
Unrestricted	(1,528,376)	1,903,711	375,335	369,515
<b>TOTAL NET POSITION</b>	<b>\$ 34,158,174</b>	<b>\$ 2,696,681</b>	<b>\$ 36,854,855</b>	<b>\$ 20,181,333</b>

See accompanying notes to the basic financial statements.

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 1,547,544	\$ 52,987	\$ 409,503	\$ -
Public safety	5,201,467	525,986	278,663	-
Parks and recreation	712,340	147,176	765,837	3,241
Highways	4,061,924	43,814	584,677	165,297
Interest on long-term debt	358,869	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>11,882,144</b>	<b>769,963</b>	<b>2,038,680</b>	<b>168,538</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer Fund	2,777,418	4,196,208	1,122,063	-
Sewer Capital Fund	321,065	-	91,151	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>3,098,483</b>	<b>4,196,208</b>	<b>1,213,214</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 14,980,627</b>	<b>\$ 4,966,171</b>	<b>\$ 3,251,894</b>	<b>\$ 168,538</b>
<b>COMPONENT UNIT</b>				
Towamencin Municipal Authority	\$ 3,824,533	\$ 2,634,565	\$ -	\$ 137,351
<b>GENERAL REVENUES</b>				
Taxes				
Real estate taxes, net				
Local services tax				
Real estate transfer tax				
Earned income tax				
Cable franchise fees				
Earnings on investments				
Gain on sale of capital asset				
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	Primary Government		Component Unit
	Business-Type Activities	Totals	Towamencin Municipal Authority
\$ (1,085,054)	\$ -	\$ (1,085,054)	\$ -
(4,396,818)	-	(4,396,818)	-
203,914	-	203,914	-
(3,268,136)	-	(3,268,136)	-
(358,869)	-	(358,869)	-
<u>(8,904,963)</u>	<u>-</u>	<u>(8,904,963)</u>	<u>-</u>
-	2,540,853	2,540,853	-
<u>-</u>	<u>(229,914)</u>	<u>(229,914)</u>	<u>-</u>
<u>-</u>	<u>2,310,939</u>	<u>2,310,939</u>	<u>-</u>
<u>(8,904,963)</u>	<u>2,310,939</u>	<u>(6,594,024)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,052,617)</u>
3,264,691	-	3,264,691	-
326,953	-	326,953	-
447,171	-	447,171	-
3,261,538	-	3,261,538	-
397,356	-	397,356	-
6,117	3,927	10,044	932
31,648	-	31,648	-
113,015	-	113,015	-
1,084,200	(1,084,200)	-	-
<u>8,932,689</u>	<u>(1,080,273)</u>	<u>7,852,416</u>	<u>932</u>
27,726	1,230,666	1,258,392	(1,051,685)
<u>34,130,448</u>	<u>1,466,015</u>	<u>35,596,463</u>	<u>21,233,018</u>
<u>\$ 34,158,174</u>	<u>\$ 2,696,681</u>	<u>\$ 36,854,855</u>	<u>\$ 20,181,333</u>

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**TOWAMENCIN TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	General Fund	Traffic Impact Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,434,548	\$ 213	\$ 9,706
Investments	5,000	-	-
Accounts receivable	117,561	10,700	-
Taxes receivable, net	163,915	-	8,108
Due from other funds	-	3,913,601	-
Prepaid expenses	6,511	-	-
	<u>1,727,535</u>	<u>3,924,514</u>	<u>17,814</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,727,535</b>	<b>\$ 3,924,514</b>	<b>\$ 17,814</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 313,781	\$ 17,447	\$ 7,822
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>313,781</u>	<u>17,447</u>	<u>7,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	24,114	-	7,750
<b>FUND BALANCES</b>			
Nonspendable, prepaid expenses	6,511	-	-
Restricted			
Highway and street projects	-	-	-
Street lights	-	-	-
Parks and recreation	-	-	-
Capital projects	-	-	-
Debt service	-	-	2,242
Committed			
Public art	-	-	-
Community pool	-	-	-
Traffic improvements	-	3,913,601	-
Assigned			
Capital projects	-	-	-
Unassigned	1,383,129	(6,534)	-
<b>TOTAL FUND BALANCES</b>	<u>1,389,640</u>	<u>3,907,067</u>	<u>2,242</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,727,535</b>	<b>\$ 3,924,514</b>	<b>\$ 17,814</b>

See accompanying notes to the basic financial statements.

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<u>Infrastructure Authority</u>	<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 674	\$ 126,084	\$ 253,740	\$ 1,824,965
-	494,256	116,275	615,531
100,242	154,901	166,102	549,506
-	-	4,923	176,946
-	-	-	3,913,601
-	-	16,250	22,761
<u>\$ 100,916</u>	<u>\$ 775,241</u>	<u>\$ 557,290</u>	<u>\$ 7,103,310</u>

\$ 8,812	\$ 1,986	\$ 115,345	\$ 465,193
3,913,601	-	-	3,913,601
<u>3,922,413</u>	<u>1,986</u>	<u>115,345</u>	<u>4,378,794</u>
-	-	4,706	36,570
-	-	-	6,511
-	-	126,340	126,340
-	-	15	15
-	-	62,172	62,172
-	773,255	-	773,255
-	-	-	2,242
-	-	117,692	117,692
-	-	34,988	34,988
-	-	-	3,913,601
-	-	7,420	7,420
(3,821,497)	-	88,612	(2,356,290)
<u>(3,821,497)</u>	<u>773,255</u>	<u>437,239</u>	<u>2,687,946</u>
<u>\$ 100,916</u>	<u>\$ 775,241</u>	<u>\$ 557,290</u>	<u>\$ 7,103,310</u>

# TOWAMENCIN TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 2,687,946

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	4,959,269
Land improvements, net of accumulated depreciation of \$1,851,317	5,249,740
Buildings and improvements, net of accumulated depreciation of \$2,605,547	4,724,870
Machinery and equipment, net of accumulated depreciation of \$1,956,020	761,374
Vehicles, net of accumulated depreciation of \$1,369,330	839,028
Infrastructure, net of accumulated depreciation of \$24,549,188	35,406,539
	<u>51,940,820</u>

Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds.

368,475

Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

36,570

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, 2016, are:

Accrued interest on bonds	(33,242)
Bonds and note payable	(16,468,000)
Capital leases	(750,295)
Compensated absences	(34,145)
Other postemployment benefits	(1,401,442)
Net pension liability	(2,188,513)
	<u>(20,875,637)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 34,158,174

*See accompanying notes to the basic financial statements.*



**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	General Fund	Traffic Improvement Fund	Debt Service Fund
<b>REVENUES</b>			
Real estate taxes, net	\$ 2,148,796	\$ -	\$ 690,983
Earned income taxes	3,260,803	-	-
Local services tax	326,953	-	-
Real estate transfer tax	447,171	-	-
Intergovernmental revenues	504,051	-	-
Licenses and permits	821,791	-	-
Fines and forfeits	77,934	-	-
Charges for services	40,458	-	-
Departmental earnings	-	43,814	-
Investment income and rents	43,982	41	-
Miscellaneous	119,764	-	-
<b>TOTAL REVENUES</b>	<u>7,791,703</u>	<u>43,855</u>	<u>690,983</u>
<b>EXPENDITURES</b>			
General government	1,487,734	-	-
Public safety	4,864,462	-	-
Parks and recreation	5,500	-	-
Highways	1,109,169	8,498	-
Debt service			
Principal retirement	-	-	1,103,575
Interest paid	-	-	159,565
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>7,466,865</u>	<u>8,498</u>	<u>1,263,140</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>324,838</u>	<u>35,357</u>	<u>(572,157)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of capital lease	-	-	-
Operating transfers out	(1,343,709)	(90,242)	(613,602)
Operating transfers in	1,108,200	-	1,186,699
Proceeds from sale of fixed assets	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(235,509)</u>	<u>(90,242)</u>	<u>573,097</u>
<b>NET CHANGE IN FUND BALANCES</b>	89,329	(54,885)	940
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>1,300,311</u>	<u>3,961,952</u>	<u>1,302</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 1,389,640</u>	<u>\$ 3,907,067</u>	<u>\$ 2,242</u>

*See accompanying notes to the basic financial statements.*

<u>Infrastructure Authority</u>	<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 420,336	\$ 3,260,115
-	-	-	3,260,803
-	-	-	326,953
-	-	-	447,171
100,242	3,241	842,424	1,449,958
-	-	-	821,791
-	-	-	77,934
-	-	-	40,458
-	-	147,176	190,990
16	4	1,898	45,941
-	738,786	8,047	866,597
<u>100,258</u>	<u>742,031</u>	<u>1,419,881</u>	<u>10,788,711</u>
115,113	-	-	1,602,847
-	-	366,002	5,230,464
-	65,661	887,171	958,332
-	-	735	1,118,402
412,000	-	-	1,515,575
201,602	-	-	361,167
-	-	1,044,492	1,044,492
<u>728,715</u>	<u>65,661</u>	<u>2,298,400</u>	<u>11,831,279</u>
<u>(628,457)</u>	<u>676,370</u>	<u>(878,519)</u>	<u>(1,042,568)</u>
-	-	761,304	761,304
-	-	(502,948)	(2,550,501)
667,802	-	672,000	3,634,701
-	-	37,911	37,911
<u>667,802</u>	<u>-</u>	<u>968,267</u>	<u>1,883,415</u>
39,345	676,370	89,748	840,847
<u>(3,860,842)</u>	<u>96,885</u>	<u>347,491</u>	<u>1,847,099</u>
<u>\$ (3,821,497)</u>	<u>\$ 773,255</u>	<u>\$ 437,239</u>	<u>\$ 2,687,946</u>

## TOWAMENCIN TOWNSHIP

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 840,847
<p>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 (\$2,572,015) exceeds capital outlays (\$1,059,511) in the current period.</p>	(1,512,504)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales and disposals) is to decrease net assets.</p>	(6,263)
<p>Revenues in the statement of activities that do not provide current resources are not recorded as revenues in the funds.</p>	5,311
<p>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.</p>	
Principal repayments	1,515,574
Issuance of capital lease	(761,304)
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment combines the net changes of these balances.</p>	
Compensated absences	(838)
Postemployment benefits	(287,146)
Pension expense	231,750
Accrued interest on bonds	2,299
	<hr/>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>27,726</u>

*See accompanying notes to the basic financial statements.*

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	<u>Sewer Fund</u>	<u>Sewer Capital Fund</u>	<u>Sewer Note Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,850,785	\$ 1,228,290	\$ -	\$ 3,079,075
Investments	248,000	-	-	248,000
Accounts receivable	933,079	-	-	933,079
Capital assets	36,372	823,864	-	860,236
Accumulated depreciation	<u>(36,372)</u>	<u>(30,894)</u>	<u>-</u>	<u>(67,266)</u>
TOTAL ASSETS	<u>\$ 3,031,864</u>	<u>\$ 2,021,260</u>	<u>\$ -</u>	<u>\$ 5,053,124</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 17,454	\$ 41,989	\$ -	\$ 59,443
Current portion of note payable	<u>106,000</u>	<u>-</u>	<u>-</u>	<u>106,000</u>
TOTAL CURRENT LIABILITIES	123,454	41,989	-	165,443
<b>NONCURRENT LIABILITIES</b>				
Long-term note payable	<u>2,191,000</u>	<u>-</u>	<u>-</u>	<u>2,191,000</u>
TOTAL LIABILITIES	<u>2,314,454</u>	<u>41,989</u>	<u>-</u>	<u>2,356,443</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	792,970	-	792,970
Unrestricted	<u>717,410</u>	<u>1,186,301</u>	<u>-</u>	<u>1,903,711</u>
TOTAL NET POSITION	<u>717,410</u>	<u>1,979,271</u>	<u>-</u>	<u>2,696,681</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,031,864</u>	<u>\$ 2,021,260</u>	<u>\$ -</u>	<u>\$ 5,053,124</u>

*See accompanying notes to the basic financial statements.*

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Sewer Fund	Sewer Capital Fund	Sewer Note Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>				
Sewer rents	\$ 5,317,599	\$ -	\$ -	\$ 5,317,599
Connection fees	-	91,151	-	91,151
Other	672	-	-	672
TOTAL OPERATING REVENUES	<u>5,318,271</u>	<u>91,151</u>	<u>-</u>	<u>5,409,422</u>
<b>OPERATING EXPENSES</b>				
Sewage disposal	2,734,580	273,889	-	3,008,469
Administration	13,565	26,580	-	40,145
TOTAL OPERATING EXPENSES	<u>2,748,145</u>	<u>300,469</u>	<u>-</u>	<u>3,048,614</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,570,126	(209,318)	-	2,360,808
DEPRECIATION	-	20,596	-	20,596
OPERATING INCOME	<u>2,570,126</u>	<u>(229,914)</u>	<u>-</u>	<u>2,340,212</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	3,036	857	34	3,927
Interest expense	(29,273)	-	-	(29,273)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(26,237)</u>	<u>857</u>	<u>34</u>	<u>(25,346)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(3,781,453)	(176,000)	(226,755)	(4,184,208)
Operating transfers in	-	600,008	2,500,000	3,100,008
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,781,453)</u>	<u>424,008</u>	<u>2,273,245</u>	<u>(1,084,200)</u>
CHANGE IN NET POSITION	(1,237,564)	194,951	2,273,279	1,230,666
NET POSITION AT BEGINNING OF YEAR	<u>1,954,974</u>	<u>1,784,320</u>	<u>(2,273,279)</u>	<u>1,466,015</u>
NET POSITION AT END OF YEAR	<u>\$ 717,410</u>	<u>\$ 1,979,271</u>	<u>\$ -</u>	<u>\$ 2,696,681</u>

See accompanying notes to the basic financial statements.

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Sewer Fund	Sewer Capital Fund	Sewer Note Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 5,361,886	\$ 291,151	\$ -	\$ 5,653,037
Payments to suppliers and others	<u>(2,741,471)</u>	<u>(378,211)</u>	<u>(100,000)</u>	<u>(3,219,682)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,620,415</u>	<u>(87,060)</u>	<u>(100,000)</u>	<u>2,433,355</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) / from other funds	(3,781,453)	424,008	2,273,245	(1,084,200)
Transfer of note payable	<u>2,400,000</u>	<u>-</u>	<u>(2,400,000)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,381,453)</u>	<u>424,008</u>	<u>(126,755)</u>	<u>(1,084,200)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on note payable	(103,000)	-	-	(103,000)
Interest paid on note payable	<u>(29,273)</u>	<u>-</u>	<u>-</u>	<u>(29,273)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(132,273)</u>	<u>-</u>	<u>-</u>	<u>(132,273)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(248,000)	-	-	(248,000)
Investment income	<u>3,036</u>	<u>857</u>	<u>34</u>	<u>3,927</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(244,964)</u>	<u>857</u>	<u>34</u>	<u>(244,073)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	861,725	337,805	(226,721)	972,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>989,060</u>	<u>890,485</u>	<u>226,721</u>	<u>2,106,266</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,850,785</u>	<u>\$ 1,228,290</u>	<u>\$ -</u>	<u>\$ 3,079,075</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 2,570,126	\$ (229,914)	\$ -	\$ 2,340,212
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	20,596	-	20,596
Change in assets and liabilities				
Accounts receivable	(56,385)	200,000	-	143,615
Due from other funds	100,000	-	-	100,000
Accounts payable and accrued expenses	6,674	(77,742)	-	(71,068)
Due to other funds	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,620,415</u>	<u>\$ (87,060)</u>	<u>\$ (100,000)</u>	<u>\$ 2,433,355</u>

See accompanying notes to the basic financial statements.

**TOWAMENCIN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 416,789	\$ 492,643	\$ 909,432
Investments			
Certificates of deposit	1,130,032	-	1,130,032
Exchange traded funds	124,310	-	124,310
Corporate bonds	1,303,464	-	1,303,464
Equity mutual funds	130,396	-	130,396
Common stocks	9,882,490	-	9,882,490
Other receivables	-	1,318	1,318
Prepaid expenses	63,455	-	63,455
	<u>\$ 13,050,936</u>	<u>\$ 493,961</u>	<u>\$ 13,544,897</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ -	\$ 16,368	\$ 16,368
Escrow payable	-	477,593	477,593
	<u>-</u>	<u>493,961</u>	<u>493,961</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>13,050,936</u>	<u>-</u>	<u>13,050,936</u>
	<u>\$ 13,050,936</u>	<u>\$ 493,961</u>	<u>\$ 13,544,897</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>			

*See accompanying notes to the basic financial statement.*

**TOWAMENCIN TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

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	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,054,595
Investment income	<u>1,078,897</u>
TOTAL ADDITIONS	<u>2,133,492</u>
DEDUCTIONS	
Benefit payments to retired plan participants	716,947
Administrative	<u>10,871</u>
TOTAL DEDUCTIONS	<u>727,818</u>
CHANGE IN NET POSITION	1,405,674
NET POSITION, BEGINNING OF YEAR	<u>11,645,262</u>
NET POSITION, END OF YEAR	<u>\$ 13,050,936</u>

*See accompanying notes to the basic financial statements.*



**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Scope of Reporting Entity**

Towamencin Township (the "Township") was created in 1728 and operates under the Second Class Township Code as prescribed by the Commonwealth of Pennsylvania. The Township's major services include safety, health and welfare, fire protection, parks and recreation and general administration.

For financial reporting purposes, Towamencin Township's primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component units, which are legally separate organizations for which the Township's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

**Blended Component Units**

Some component units, despite being legally separate from the primary government (Township), are intertwined with the primary government and are reported as part of the primary government. Towamencin Township has two blended component units.

The Towamencin Township Infrastructure Authority (the "Infrastructure Authority") is considered a component unit of the Township. The Infrastructure Authority is a public corporation incorporated on January 9, 1997 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Infrastructure Authority is a financing authority for the purpose of undertaking certain projects specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Infrastructure Authority.

The Towamencin Authority is considered a component unit of the Township. The Towamencin Authority is a public corporation incorporated on March 3, 1998 by Towamencin Township under the authority of the Municipal Authorities Act of 1945. The Towamencin Authority is organized for the purpose of undertaking certain projects, associated with land owned or leased by Towamencin Township, which have been specified from time to time by resolution or ordinance of the Township's governing body. The Township provides, at a nominal charge, office space and personnel for use by the Towamencin Authority.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Discretely Presented Component Unit***

In conformity with GAAP, the Towamencin Municipal Authority has been included in the reporting entity as a discretely presented component unit in a separate column in the financial statements to emphasize that it is legally separate from the Township. The Authority owns and operates the sewage treatment plant located on Kriebel Road and owns the sewer system in Towamencin Township, which is leased back to the Township for operation and maintenance. The Authority reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices.

**Government-wide and Fund Financial Statements**

***Government-wide***

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements excluded fiduciary activities such as pension and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements. Therefore, governmental fund financial statements included reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

Internal activity is limited to interfund transfers, which are eliminated to avoid "doubling up" revenues and expenses. Net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations. The net position restricted for other purposes result from the sewer capital projects fund and the restrictions on their net position use.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Fund Financial Statements***

Fund Financial Statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type. All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, the traffic impact fund, the Infrastructure Authority fund, and the debt service fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the highway aid fund, parks and recreation fund, fire fund, street light fund, park capital fund, public arts fund, pool fund, general capital fund, and Towamencin Authority fund.

The Township reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Traffic Impact Fund* is maintained to account for the accumulation of resources for acquisition of fixed assets.
- The *Debt Service Fund* accounts for proceeds of special revenue sources that are restricted to the repayment of debt.
- The *Infrastructure Authority Fund* accounts for proceeds of special revenue sources that are restricted to expenditures for construction of infrastructure capital assets.
- The *Fischer's Park Fund* accounts for proceeds of special revenue sources that are restricted to capital projects.

The Township reports the following proprietary funds:

- The *Sewer Fund* is used to account for operations 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. The Sewer Fund accounts for the Township's sewer system. The *Sewer Capital Fund* accounts for accumulation of resources to pay for capital improvements for the sewer operations. The *Sewer Note Fund* accounts for the proceeds of the guaranteed sewer note 2013 and related expenditures.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

- The Township, specifically its Sewer Fund, leases the sewage collection system, located within its geographic boundaries, from the Towamencin Municipal Authority (TMA). The Sewer Fund operates the sewer system and charges the owners of each property connected to the sewer system rents which shall be sufficient to pay (1) TMA service charges and operating expenses under the service agreement and (2) Sewer Fund operating expenses. TMA has agreed, pursuant to the service agreement, to treat and dispose of the sewage received from the sewage collection system.

Additionally, the government reports the following fund types:

- The *Pension Trust Fund* accounts for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.
- The *Agency Fund* accounts for monies held by the Township on a purely custodial basis. Assets in the agency fund equal liabilities.

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property and earned income tax revenue to be available if collected within 30 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

***Revenue Recognition***

Property tax and earned income tax receivables collected after 30 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

***Expenditure Recognition***

The Measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

***Proprietary Funds***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concern determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds. These funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees. Operating expenses for the Township's enterprise funds include sewer disposal, supplies and administration costs. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Position or Fund Balance***

***Deposits and Investments***

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

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

With the exception of Pension Trust Funds, 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) certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository under PA Act 72. 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, 2016, was in excess of the minimum requirements just described.

The Township has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. 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. Investments in qualifying external investment pools are reported at amortized cost basis.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent. Investments for the Township, as well as for its component units, are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion on interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. At December 31, 2016, all tax receivables were deemed to be fully collectible. There is no tax receivable allowance due to the materiality of the outstanding receivables.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Other taxes levied in 2016 were Real Estate Transfer Taxes, Earned Income Tax, and Local Service Tax.

***Capital Assets***

Capital assets, which include property, land and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-45
Building and improvement	10-50
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	10-70

***Compensated Absences***

It is the Township's policy to permit certain employees to accumulate earned but unused vacation and comp time. The accumulation is subject to terms discussed in the collective bargaining agreements. Vacation and compensatory time is accrued when earned.

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Issuance costs are expensed as incurred.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Position and Fund Balance***

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

**Net investment in capital assets** - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

**Restricted net position** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - This category represents net position of the entity, not restricted for any project or other purpose. Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

*Nonspendable Fund Balance* - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

*Restricted Fund Balance* - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed Fund Balance* - includes amounts that can only be used for the specific purposes determined by a formal action of the Township's highest level of decision making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).



**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

*Assigned Fund Balance* - includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager or Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned Fund Balance* - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial 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 one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial 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. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

***Use of Estimates in the Preparation of Financial Statements***

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

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

**Component Unit – Towamencin Municipal Authority**

***Summary of Significant Accounting Policies***

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a Proprietary Fund's obligations. The principal operating revenues of the Authority are sewer service and tapping fees. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

**Property, Plant and Equipment**

The Authority defines property, plant and equipment as assets with an initial individual or project cost equal to or greater than \$2,000 that have an estimated useful life in excess of one year.

Property, plant and equipment are stated at cost. A provision for the depreciation of fixed assets has been recorded effective in the year 1975.

The Authority is depreciating plant assets over a period of 40 years and equipment over periods of five to ten years.

Expenditures for maintenance, repairs and minor replacements are expensed as incurred.

**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.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a modified accrual basis of accounting for all Township funds, which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by resolution appropriates, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted. The total appropriation shall not exceed the revenues estimated as available for the fiscal year.

Upon preparation of proposed budget, the Supervisors give public notice by advertisement in at least one newspaper of general circulation in the Township that the proposed budget will be available for public inspection. After the budget has been available for public inspection for 20 days, the Supervisors adopt the budget not later than the 31st day of December.

The Supervisors may at any time by resolution make supplemental appropriations for any lawful purposes from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing authorized by law. The Board of Supervisors adopted two resolutions during 2016 amending the 2016 budget.

Budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Supervisors may take specific action to reserve or designate fund equity.

During the month of January, following any municipal election, the Supervisors may amend the budget and levy and tax rate to conform to its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

**Excess of Expenditures over Appropriations**

For the year ended December 31, 2016, expenditures exceeded appropriations in the general government category in the general fund by \$11,834, which was funded by larger than expected revenues.

**Deficit Fund Balance**

As of December 31, 2016, an accumulated deficit fund balance of \$3,821,497 exists in the Towamencin Township Infrastructure Fund. The deficit in the Infrastructure Fund will be eliminated when the assets are transferred to the Township.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE C - DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. At December 31, 2016, the carrying amount of the Township's deposits was \$5,810,408 and the bank balance was \$5,812,710. Of the bank balance, \$872,184 was covered by federal depository insurance and \$4,940,526 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

**Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations.

As of December 31, 2016, the Township had the following investments and maturities:

Investment Type	Amortized Cost	Investment Maturities			
		Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years
<b>GOVERNMENTAL FUNDS</b>					
State investment pools	\$ 494,252	\$ -	\$ 494,252	\$ -	\$ -
Money market funds	121,279	-	121,279	-	-
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 615,531</b>	<b>\$ -</b>	<b>\$ 615,531</b>	<b>\$ -</b>	<b>\$ -</b>
<b>PROPRIETARY FUNDS</b>					
Certificates of deposit	\$ 248,000	\$ -	\$ 248,000	\$ -	\$ -
<b>TOTAL PROPRIETARY FUNDS</b>	<b>\$ 248,000</b>	<b>\$ -</b>	<b>\$ 248,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FIDUCIARY FUNDS</b>					
Certificates of deposit	\$ 1,130,032	\$ -	\$ 216,046	\$ 913,986	\$ -
Exchange traded funds	-	124,310	-	-	-
Corporate bonds	-	1,303,464	643,010	411,302	249,152
Equity mutual funds	-	130,396	-	-	-
Common stocks	-	9,882,490	-	-	-
<b>TOTAL FIDUCIARY FUNDS</b>	<b>\$ 1,130,032</b>	<b>\$ 11,440,660</b>	<b>\$ 859,056</b>	<b>\$ 1,325,288</b>	<b>\$ 249,152</b>

**Interest Rate Risk** - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

***Credit Risk*** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note A. The government has a formal investment policy for credit risk. A portion of the Township's investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2016, is \$863,531. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. At December 31, 2016, the Township held \$121,276 in PLGIT PLUS-Class investments. This investment incurs a penalty if withdrawn within 30 days of deposit. In addition, the Township held \$494,252 in a PLGIT TERM investment. This investment must be held to maturity, which is December 2017.

Certificates of deposit held by banks of \$1,378,032 are stated at cost plus interest earned.

**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. At December 31, 2016, the Township did not have any Level 2 or Level 3 investments.

***Concentration of Credit Risk*** - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

**Component Unit – Towamencin Municipal Authority**

Cash and cash equivalents consist of bank deposits, money market funds and certificates of deposit. All Authority deposits are entirely insured (FDIC) or collateralized under a pooled asset program to secure public deposits, as required under Commonwealth of Pennsylvania law. As of December 31, 2016, \$1,196,291 of the Authority's bank balance of \$1,446,765 was exposed to custodial credit risk.

Cash and cash equivalents are summarized as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
CURRENT ASSETS		
Operating	\$ 838,915	\$ 738,784
RESTRICTED		
Capital improvements	<u>607,376</u>	<u>601,417</u>
	<u>\$ 1,446,291</u>	<u>\$ 1,340,201</u>

***Other***

The Authority has received contributed capital which is restricted to the purposes for which the funds were contributed. Towamencin Township has contributed funds for the cost of constructing and maintaining a pump station located within its geographic boundaries. Also, developers and others within the Towamencin Township have paid tapping fees to the Authority. The unspent portion of these contributions and accrued interest thereon are reflected as restricted assets on the Authority's statements of net position.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE D - RECEIVABLES**

Receivables as of year-end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate are as follows:

	General Fund	Traffic Impact Fund	Debt Service Fund	Infrastructure Authority
Accounts receivable	\$ 117,561	\$ 10,700	\$ -	\$ 100,242
Taxes receivable	163,915	-	8,108	-
Sewer rent	-	-	-	-
Other receivable	-	-	-	-
	<u>\$ 281,476</u>	<u>\$ 10,700</u>	<u>\$ 8,108</u>	<u>\$ 100,242</u>

**NOTE E - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2016, was as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 4,959,269	\$ -	\$ -	\$ 4,959,269
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>4,959,269</u>	<u>-</u>	<u>-</u>	<u>4,959,269</u>
Capital assets being depreciated				
Land improvements	7,101,057	-	-	7,101,057
Infrastructure	59,955,727	-	-	59,955,727
Buildings and improvements	7,313,699	16,718	-	7,330,417
Machinery and equipment	2,218,747	564,798	(66,150)	2,717,395
Vehicles	1,907,213	477,995	(176,850)	2,208,358
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>78,496,443</u>	<u>1,059,511</u>	<u>(243,000)</u>	<u>79,312,954</u>
Accumulated depreciation				
Land improvements	(1,657,627)	(193,690)	-	(1,851,317)
Infrastructure	(22,758,258)	(1,790,930)	-	(24,549,188)
Buildings and improvements	(2,449,366)	(156,181)	-	(2,605,547)
Machinery and equipment	(1,793,731)	(223,489)	61,200	(1,956,020)
Vehicles	(1,337,143)	(207,725)	175,538	(1,369,330)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(29,996,125)</u>	<u>(2,572,015)</u>	<u>236,738</u>	<u>(32,331,402)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>48,500,318</u>	<u>(1,512,504)</u>	<u>(6,262)</u>	<u>46,981,552</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>\$ 53,459,587</u>	<u>\$ (1,512,504)</u>	<u>\$ (6,262)</u>	<u>\$ 51,940,821</u>

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<u>Fischer's Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
\$ 154,901	\$ 166,102	\$ -	\$ -	\$ 549,506
-	4,923	-	-	176,946
-	-	933,079	-	933,079
-	-	-	1,318	1,318
<u>\$ 154,901</u>	<u>\$ 171,025</u>	<u>\$ 933,079</u>	<u>\$ 1,318</u>	<u>\$ 1,660,849</u>



**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Leasehold improvements	823,864	-	-	823,864
Machinery and equipment	\$ 36,372	\$ -	\$ -	\$ 36,372
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<u>860,236</u>	<u>-</u>	<u>-</u>	<u>860,236</u>
Accumulated depreciation				
Leasehold improvements	(10,298)	(20,596)	-	(30,894)
Machinery and equipment	(36,372)	-	-	(36,372)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<u>(46,670)</u>	<u>(20,596)</u>	<u>-</u>	<u>(67,266)</u>
 <b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED, net</b>	 <u>813,566</u>	 <u>(20,596)</u>	 <u>-</u>	 <u>792,970</u>
 <b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, net</b>	<u>\$ 813,566</u>	<u>\$ (20,596)</u>	<u>\$ -</u>	<u>\$ 792,970</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>		
General government		\$ 236,405
Public safety		108,083
Parks and recreation		196,126
Highways		<u>2,031,401</u>
		<u>\$ 2,572,015</u>

**Component Unit – Towamencin Municipal Authority**

Property, plant and equipment consist of the following:

	Balance December 31, 2015	Additions/ Deletions	Balance December 31, 2016
Sewer plant and additions	\$ 50,165,078	\$ 489,796	\$ 50,654,874
Sewer system			
Pump station and interceptor	2,851,484	-	2,851,484
Other maintenance equipment	658,314	281,983	940,297
Construction in progress	95,197	(95,197)	-
Office equipment	66,290	3,867	70,157
	<u>53,836,363</u>	<u>680,449</u>	<u>54,516,812</u>
Accumulated depreciation	<u>(29,558,174)</u>	<u>(1,189,038)</u>	<u>(30,747,212)</u>
	<u>\$ 24,278,189</u>	<u>\$ (508,589)</u>	<u>\$ 23,769,600</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

	Due from Other Funds	Due to Other Funds	Transfers	
			In	Out
GENERAL FUND	\$ -	\$ -	\$ 1,108,200	\$ 1,343,709
TRAFFIC IMPACT FUND	3,913,601	-	-	90,242
DEBT SERVICE FUND	-	-	1,186,699	613,602
SPECIAL REVENUE FUNDS				
Fire Protection Fund	-	-	127,000	-
Parks and Recreation Fund	-	-	67,000	307,000
Pool Fund	-	-	93,000	-
TOTAL SPECIAL REVENUE FUNDS	-	-	287,000	307,000
CAPITAL PROJECT FUNDS				
General Capital Fund	-	-	171,000	-
Park Capital Fund	-	-	214,000	195,948
TOTAL CAPITAL PROJECT FUNDS	-	-	385,000	195,948
INFRASTRUCTURE AUTHORITY	-	3,913,601	667,802	-
ENTERPRISE FUNDS				
Sewer Fund	-	-	-	3,781,453
Sewer Capital Fund	-	-	600,008	176,000
Sewer Note Fund	-	-	2,500,000	226,755
TOTAL ENTERPRISE FUNDS	-	-	3,100,008	4,184,208
	<u>\$ 3,913,601</u>	<u>\$ 3,913,601</u>	<u>\$ 6,734,709</u>	<u>\$ 6,734,709</u>

**NOTE G - LONG-TERM DEBT**

**General Obligation Notes and Bonds**

The government issues general obligation notes and bonds to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment and open space. General obligation notes and bonds have been issued for the governmental activities only. Sewer Revenue Notes were issued for Wastewater System capital projects. The original amount of notes and bonds issued was \$27,982,000.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE G - LONG-TERM DEBT (Continued)**

General obligation notes and bonds are direct obligations and pledge the full faith and credit of the government. These notes and bonds are generally issued as 20-30 year serial notes and bonds with varying amounts of principal maturing each year. General obligation notes and bonds and guaranteed sewer notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.2% - 5.0%	\$ 16,468,000
Business-type activities	1.0% - 4.0%	<u>2,297,000</u>
		<u>\$ 18,765,000</u>

**Interest Rate Management:** The Township has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs to participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

The significant terms of the interest rate swap was as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Type of Note</u>	<u>Rate in Effect at Year-End</u>	<u>Market Value</u>
GO Note	2000	2020	\$ 2,201,000	Variable	1.2100%	\$ 310,476
GO Note	2002	2031	3,725,000	Variable	1.2100%	525,453
GO Note	2012	2032	2,564,000	Fixed	2.4860%	361,681
Guaranteed Sewer Notes	2013	2033	2,297,000	Variable	1.2100%	324,017

**Interest Rate Risk:** The Township has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Township elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Township elects a fixed rate, the rate, with terms and conditions selected by the Township, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Township has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE G - LONG-TERM DEBT (Continued)**

**Basis Risk:** The Township does not have a basis risk.

**Credit Risk:** The Township is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2016, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

**Termination Risk:** The Township is obligated to pay any Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA. In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment. The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township debt as of December 31, 2016, is shown in the table on the previous page.

In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

**Rollover Risk:** This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

**Market Access Risk:** The Township does not have this risk.

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences, net pension obligations, and net OPEB obligations are generally liquidated by the general fund.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE G - LONG-TERM DEBT (Continued)**

**Component Unit – Towamencin Municipal Authority**

On May 13, 2015, the Authority issued Guaranteed Revenue Note, Series of 2015, in the maximum aggregate principal amount of \$9,300,000.

The issue is to finance (1) the acquisition of Upper Gwynedd's interest in the Authority Facilities, including infrastructure, buildings, equipment, and other facilities and the acquisition, construction, equipping, renovation and improvement of other wastewater treatment facilities, (2) to pay the costs of issuance

The Authority has borrowed \$4,559,199, including issuance costs, as of December 31, 2016.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 1,258,000	\$ 345,061	\$ 1,603,061
2018	1,302,000	320,219	1,622,219
2019	1,346,000	294,662	1,640,662
2020	1,393,000	268,777	1,661,777
2021	1,435,000	238,675	1,673,675
2022-2026	7,222,000	695,871	7,917,871
2027-2031	2,320,000	157,036	2,477,036
2032-2033	192,000	4,773	196,773
	<u>\$ 16,468,000</u>	<u>\$ 2,325,074</u>	<u>\$ 18,793,074</u>

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 106,000	\$ 33,793	\$ 139,793
2018	109,000	32,184	141,184
2019	112,000	30,530	142,530
2020	115,000	28,831	143,831
2021	119,000	27,081	146,081
2022-2026	650,000	107,240	757,240
2027-2031	754,000	54,793	808,793
2032-2033	332,000	5,410	337,410
	<u>\$ 2,297,000</u>	<u>\$ 319,862</u>	<u>\$ 2,616,862</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE G - LONG-TERM DEBT (Continued)**

Year	Component Unit - Towamencin Municipal Authority		
	Principal	Interest	Totals
2017	\$ 430,000	\$ 217,210	\$ 647,210
2018	439,000	195,485	634,485
2019	447,000	173,335	620,335
2020	456,000	150,760	606,760
2021	420,000	128,860	548,860
2022-2026	2,261,000	314,775	2,575,775
2027-2030	106,199	2,655	108,854
	<u>\$ 4,559,199</u>	<u>\$ 1,183,080</u>	<u>\$ 5,742,279</u>

Certain equipment has been acquired under capital lease obligations to third-party lessor. The liabilities incurred through such arrangements are accounted for in the entity-wide statements as capital leases payable.

The following is an analysis of the leased assets included in property and equipment as of December 31, 2016:

Vehicles and equipment	\$ 1,393,749
Less: accumulated depreciation	<u>(422,416)</u>
	<u>\$ 971,333</u>

The following is a schedule of the future minimum lease payments required under the lease obligations with their present value as of December 31, 2016:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2017	\$ 293,919	\$ 19,984	\$ 313,903
2018	211,496	11,786	223,282
2019	121,440	6,069	127,509
2020	123,440	3,072	126,512
Total value of minimum lease payments	<u>\$ 750,295</u>	<u>\$ 40,911</u>	791,206
Less: amount representing interest			<u>(40,911)</u>
Present value of minimum lease payments			<u>\$ 750,295</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE G - LONG-TERM DEBT (Continued)**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Notes,					
Series of 2000	\$ 2,682,000	\$ -	\$ (481,000)	\$ 2,201,000	\$ 507,000
Series of 2002	3,920,000	-	(195,000)	3,725,000	200,000
Series of 2012	2,693,000	-	(129,000)	2,564,000	132,000
Series of 2014 (TTIA)	8,390,000	-	(412,000)	7,978,000	419,000
<b>TOTAL GENERAL OBLIGATION NOTES</b>	<b>17,685,000</b>	<b>-</b>	<b>(1,217,000)</b>	<b>16,468,000</b>	<b>1,258,000</b>
Capital leases	287,565	761,304	(298,574)	750,295	293,919
Compensated absences	33,307	838	-	34,145	-
Net pension liability	2,749,783	-	(561,270)	2,188,513	-
OPEB liability	1,114,296	287,146	-	1,401,442	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 21,869,951</b>	<b>\$ 1,049,288</b>	<b>\$ (2,076,844)</b>	<b>\$ 20,842,395</b>	<b>\$ 1,551,919</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Note payable	\$ 2,400,000	\$ -	\$ (103,000)	\$ 2,297,000	\$ 106,000
<b>COMPONENT UNIT - TOWMENCIN TOWAMENCIN MUNICIPAL AUTHORITY</b>					
Note payable	\$ 4,559,199	\$ -	\$ -	\$ 4,559,199	\$ -

**NOTE H - 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; and natural disasters for which the Township carries commercial insurance. The Township participates in a public entity risk pool (Delaware Valley Insurance Trust - DVIT) operated as a common risk management and insurance program for municipalities. DVIT retains the first \$250,000 of each general liability, police professional liability and automobile liability and assumes the first \$100,000 of each first-party property loss. Reinsurance coverage is through commercial companies. DVIT also serves as group purchaser of boiler and machinery and crime and public officials' policies for its members. The calculation of premium contributions, loss assessments and any redistribution or surplus is predicated on each participant's individual loss history. An experience modification factor is applied to annual membership contributions. The insurance expense for the year ended December 31, 2016 was \$115,212. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2016 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Towamencin Township's share was \$38,430.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE H - RISK MANAGEMENT (Continued)**

The Township is also a member of the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool. The insurance expense for the year ended December 31, 2016 was \$132,431. The Trust declared a dividend in 2016. Towamencin Township's share of the dividend distribution was \$21,932. At December 31, 2016, there were no additional assessments due or anticipated. Instead, an audit of the reported 2016 payroll will be performed during the first quarter of 2017.

The Township is also a member of the Delaware Valley Health Insurance Trust, a risk retention pool, which provides both medical and dental coverage. The insurance expense for the year ended December 31, 2016 was \$1,054,972 for both medical and dental.

The Township continues to carry insurance for all other risks of loss, except unemployment compensation. The Township is a reimbursable employer under section 1202.2(a) of the Pennsylvania Unemployment Compensation Law. There has been no significant reduction in insurance coverage from the previous year in any of the Township's policies.

Settled claims resulting from all risks have not exceeded commercial and DVIT insurance coverage in any of the past three years.

**NOTE I - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

In anticipation of infrastructure improvements, properties have been acquired along Sumneytown Pike and Forty Foot Road. One property acquisition is still in the process of resolving just compensation. The condemnation proceeded to a Board of View, which awarded an additional sum of approximately \$10,000. The Condemnee appealed the matter to the Court of Common Pleas of Montgomery County and has submitted appraisal reports claiming additional damages in the amount of \$985,000. It is unlikely that the parties will be able to resolve this dispute so it is therefore anticipated that this case will proceed to trial some time in 2017. No definitive opinion can be expressed regarding the likelihood of the outcome at trial.

The Infrastructure Authority, pursuant to a Reimbursement Agreement with PennDOT, was obligated to pay 10% of the estimated just compensation and any additional compensation as these acquisitions either amicably or by condemnation were completed. At this point, legal counsel is unable to estimate the amount of additional costs to be incurred by the Infrastructure Authority for legal fees, appraisal fees, engineers fees, land planners fees, etc. for all of the Infrastructure Authority's acquisitions relating to this project.



**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)**

**Summary of Significant Accounting Policies**

Police Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/ (depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

**Plan Description**

**Plan Administration** - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn 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.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

**Plan Membership** - At December 31, 2016, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
	<u><u>37</u></u>

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

**Benefits Provided** - The Police Pension Plan provides retirement benefits, as well as death and disability benefits, to full-time police employees who receive an honorable discharge or to their beneficiaries under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50 percent of their average monthly pay received during the last 36 months of employment (base pay plus longevity if hired on or after January 1, 2016), plus a service increment of \$100 per month upon completion of 26 years of service, \$200 if 27 years, \$300 if 28 years, \$400 if 29 years, and \$500 if 30 years are completed. If a police employee leaves covered employment after completing 12 years of total service, for reason other than being terminated for conviction of a felony or crime, that employee will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service. Such pension or retirement benefits shall be paid on the date the employee reaches retirement age. A member is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at early retirement. If an active member is disabled in the line of duty, he is eligible for disability pay, equal to 50% of the member's monthly salary at time of disability, offset by Social Security Disability Benefit.

If a member dies in service, a benefit will be paid per Acts 51 and 101 by the Commonwealth of Pennsylvania to the surviving spouse. Covered employees are required by statute to contribute 5% of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

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

**Contributions** - Officers who are members in the plan are required to contribute 5% of applicable wages to the plan. Interest is credited to each member's account each year at 7% per year. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. 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 Commonwealth 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.

In 2016, the MMO obligation for the Police Pension Plan was \$773,557. Contributions of \$572,323 and \$201,234 were made by the Township and the Commonwealth, respectively.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**Investments**

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Pension Board. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension 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 Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Real estate	0%
Cash	5%
	<u>100%</u>

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 12,078,746
Plan fiduciary net position	<u>(10,314,888)</u>
NET PENSION LIABILITY	<u>\$ 1,763,858</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.40%</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3%
Salary increases	5% annual increase	
Investment rate of return		8%

Mortality rates were based on the RP-2000 tables.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2012.

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, 2016 (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>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Real estate	4.50%-6.50%
Cash	0.00%-1.00%

**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.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

***Changes in the Net Pension Liability***

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Balances at December 31, 2015	\$ 11,439,279	\$ 9,177,703	\$ 2,261,576
Changes for the year:			
Service cost	299,507	-	299,507
Interest	916,059	-	916,059
Differences between expected and actual experience	-	-	-
Contributions			
Employer	-	773,557	(773,557)
Member	-	112,433	(112,433)
Net investment income	-	835,419	(835,419)
Benefit payments	(576,099)	(576,099)	-
Administrative expense	-	(8,125)	8,125
Net changes	<u>639,467</u>	<u>1,137,185</u>	<u>(497,718)</u>
Balances at December 31, 2016	\$ <u>12,078,746</u>	\$ <u>10,314,888</u>	\$ <u>1,763,858</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 8%, 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 (7%) or one percentage point higher (9%) than the current rate:

	1% Decrease <u>(7%)</u>	Current Discount Rate (8%) <u></u>	1% Increase <u>(9%)</u>
Net pension liability	\$ <u>3,142,120</u>	\$ <u>1,763,858</u>	\$ <u>597,792</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE J - 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, 2016, the Township recognized pension expense of \$522,031 for the Police Pension Plan. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 262,862
Net difference between projected and actual earnings on pension plan investments	<u>637,315</u>	<u>71,306</u>
Total	<u>\$ 637,315</u>	<u>\$ 334,168</u>

Amounts 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>	
2017	\$ 157,060
2018	157,060
2019	157,060
2020	(55,378)
2021	(37,552)
Thereafter	(75,104)

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**

**Summary of Significant Accounting Policies**

Non-Uniformed Employees' Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Plan Description**

**Plan Administration** - The Township administers the Non-Uniformed Employees' Pension Plan--a single employer defined benefit plan that covers all full-time non-uniformed employees of the Township who have met the eligibility requirements. An employee joins the plan on the first day of the month following employment. Prior to December 31, 1994, participation occurred on the first day of the year following employment. Prior to January 1, 1985, participation is assumed to start on the date of employment. Employees hired after August 1, 2014 are not eligible to participate in the plan. Beginning in August of 2014, the Township offered a Money Purchase Plan for Non-Uniformed employees hired on or after August 1, 2014. 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.

The Towamencin Township Board of Supervisors has established a formal Pension Board for the management of plan assets. The Board has a total of four members comprised of an active employee representative of the plan and two Supervisors appointed by the Board of Supervisors. The members of the Pension Board serve as Trustees of the Pension Plans. The Township Manager is appointed as the chief administrative officer. The Pension Board meets with the investment consultant quarterly.

**Plan Membership** - At December 31, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>19</u>
	<u><u>40</u></u>

**Benefits Provided** - The Non-Uniform Employees' Pension Plan provides retirement benefits to full-time non-uniformed employees of the Township or to their beneficiaries. All benefits vest after 10 years of credited service. Employees who retire at or after age 65 and with 10 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to two percent of their average compensation received during the last 36 months of employment multiplied by total years of service, not to exceed 25 years. Employees with 15 years of credited service may retire at or after age 60 and receive a reduced benefit. If an employee leaves covered employment after completing five years of total service, for reasons other than retirement or death, the participant will retain a non-forfeitable right to a percentage of his/her accrued benefit, based on years of service.

The benefit provisions of the Township's Non-Uniformed Employees' Pension Plan are established by Township ordinances.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Contributions** - Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution. 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 Commonwealth 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.

In 2016, the MMO obligation for the Non-Uniformed Employees' Pension Plan was \$162,360. Contributions of \$66,118 and \$96,242 were made by the Township and the Commonwealth, respectively. Non-Uniformed employees were not required to contribute to the Plan in 2016.

**Investments**

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension 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 Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62%
International equity	13%
Fixed income	20%
Real estate	0%
Cash	5%
	<u>100%</u>



**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 3,150,113
Plan fiduciary net position	<u>(2,725,458)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ 424,655</u>
 Plan fiduciary net position as a percentage of the total pension liability	  <u>86.52%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	8%

Mortality rates were based on the RP-2000 Table.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2012.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' 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, 2016 (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>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Real estate	4.50%-6.50%
Cash	0.00%-1.00%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that is 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.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

***Changes in the Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balances at December 31, 2015	\$ 2,956,353	\$ 2,468,146	\$ 488,207
Changes for the year:			
Service cost	96,050	-	96,050
Interest	238,558	-	238,558
Differences between expected and actual experience	-	-	-
Contributions			
Employer	-	162,360	(162,360)
Net investment income	-	242,877	(242,877)
Benefit payments	(140,848)	(140,848)	-
Administrative expense	-	(7,077)	7,077
Net changes	<u>193,760</u>	<u>257,312</u>	<u>(63,552)</u>
Balances at December 31, 2016	<u>\$ 3,150,113</u>	<u>\$ 2,725,458</u>	<u>\$ 424,655</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability of the Township, calculated using the discount rate of 8%, 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 (7%) or one percentage point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
	<u>          </u>	<u>          </u>	<u>          </u>
Net pension liability (asset)	\$ <u>782,017</u>	\$ <u>424,655</u>	\$ <u>118,485</u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE K - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – For the year ended December 31, 2016, the Township recognized pension expense of \$182,136 for the Non-Uniformed Employees' Pension Plan. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 72,007
Net difference between projected and actual earnings on pension plan investments	<u>173,213</u>	<u>35,878</u>
Total	<u>\$ 173,213</u>	<u>\$ 107,885</u>

Amounts 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>	
2017	\$ 38,481
2018	38,481
2019	38,481
2020	(19,256)
2021	(10,287)
Thereafter	(20,572)

**NOTE L - NON-UNIFORMED EMPLOYEES MONEY PURCHASE PLAN**

The Non-Uniform Employees' Money Purchase Plan provides retirement benefits to full time non-uniformed employees of the Township who were hired on or after August 1, 2014. Benefits vest on a percentage basis according to years of service beginning after 3 years and are fully vested after 7 years of service. The Township contributes on behalf of each participant 3.5% of earnings for the plan year. A member is eligible for normal retirement after the attainment of age 65. The Plan does not issue stand-alone financial statements.

The authority under which obligations to contribute to the Plan by the plan members, the employer and other contributing entities is established or may be amended by Township Ordinance.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE M - EMPLOYEE PENSION PLAN**

**Component Unit – Towamencin Municipal Authority**

The Authority provides pension benefits for its full-time employees through a defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus earnings on plan investments.

The Authority contributes 3.5% of each eligible employee's compensation to the plan. Each eligible employee may also contribute up to 21.5% of their compensation. The contributions made by the Authority on behalf of each employee and the earnings allocated to their accounts become 100% vested upon eligibility after two years of service. Authority contributions may not be distributed to the employee until age 65, except for death or disability.

The Authority's contributions in 2016 were \$22,115. Retirement benefits may be obtained at age 59 1/2.

**NOTE N - DEFERRED COMPENSATION PLAN**

The Township offers a deferred compensation plan for its employees. The plan, which is designed under the provisions of Internal Revenue Code Section 457, permits employees to make voluntary contributions from their salary which are excluded from federal taxable income until future years, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The contributions are invested with an outside trustee and are held for the exclusive benefit of participants or their beneficiaries and are therefore not included in the accompanying combined balance sheets of the Township. The Township contributed \$7,053 to the plan during the year ended December 31, 2016.

**Component Unit – Towamencin Municipal Authority**

The Authority has a deferred compensation plan for its employees. The plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salaries which are excluded from federal taxable income. A maximum contribution of up to \$18,000 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

**TOWAMENCIN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE O - POSTEMPLOYMENT BENEFITS**

**Description of the Plan**

Through police contract, the Township agrees that it will pay seventy five (75%) percent of the premium costs of the healthcare insurance coverage plans then being offered to the active full-time Police Officers (50% for officers hired on or after October 15, 2012 and before January 1, 2016), for each superannuated retired Officer, providing said retired Officer and spouse with continued hospitalization, major medical, surgical, drug and vision care as set forth in the healthcare plan then in effect for full-time Police Officers, subject to the certain conditions. The plan does not issue a stand-alone financial report.

Such coverage shall only be provided to those Officers who have retired after completing twenty five (25) years of continuous service and have achieved fifty (50) years of age. The Township shall pay for the continued coverage and bill the retiree or spouse for the applicable percent of the premium cost. If the retiree or spouse shall fail or neglect to reimburse the premium cost to the Township within thirty (30) days of submission, the Township shall be relieved of further obligation to pay insurance for any superannuated retiree or spouse. Any superannuated retired Officer who shall elect not to participate in this post-retirement medical insurance program or, who having once participated therein, shall elect to discontinue participation in the program, for any reason whatsoever, including non-payment as described above, shall not be permitted to resume participation in the program.

Officers retiring on or after January 1, 2012 shall be able to withdraw from their Township provided health insurance coverage during those periods where they are covered by other health insurance. Upon 30 day notice, or at the time upon a COBRA qualifying event, the employee, with eligible spouse and dependents, may enroll in the Township health insurance plans.

The Township's duty to continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for a superannuated retiree and spouse shall terminate upon the retirees eligibility for Medicare and Medicaid, or death of retiree, except that the Township shall continue to pay seventy five (75%) or fifty (50%) percent of the premium costs for surviving spouse until eligible for Medicare or Medicaid.

In the event that a police officer retires upon disability, the retiree, spouse, and any non-spouse dependents may also continue to participate in the health care insurance coverage offered through the Township until the disabled officer reaches normal retirement age. The Township shall pay the same percentage of premium costs for the coverage as that of a working officer until the officer reaches normal retirement age. At that point, he or she will be eligible for the same health insurance benefits as retired officers.

The Township also agrees to provide each retiring Officer who shall serve full term to superannuation, without cost to the Officer, life insurance coverage in the sum of Five Thousand (\$5,000) dollars, for the remainder of his or her life.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE O - POSTEMPLOYMENT BENEFITS (Continued)**

In the event that an officer retires upon disability, the Township agrees to provide him or her \$50,000 of life insurance coverage until normal retirement age. The amount of life insurance is then reduced to \$5,000 for the remainder of his or her life.

Membership of each plan consisted of the following at January 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	13
Current employees	<u>23</u>
<b>TOTAL MEMBERSHIP</b>	<u><u>36</u></u>

**Funding Policy:** Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The Township is accounting for these expenditures on a "pay-as-you-go" basis. Currently there are 13 retirees receiving health and/or life insurance benefits. The annual cost of these benefits in 2016 was \$144,852.

**Funded Status and Funding Progress:** The funded status of the plan as of January 1, 2015, the most recent actuarial valuation date, is as follows:

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
January 1, 2015	\$ -	\$ 3,901,593	\$ 3,901,593	0.0%	\$ 2,150,648	181.4%
2012	-	3,165,816	3,165,816	0.0%	2,062,606	153.5%
2009	-	2,981,465	2,981,465	0.0%	1,863,599	160.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE O - POSTEMPLOYMENT BENEFITS (Continued)**

The schedule of funding progress, presented as *required supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

**Annual OPEB Cost and Net OPEB Obligation**

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Township's net OPEB obligation:

Annual required contribution	\$ 450,263
Interest on net OPEB obligation	50,143
Adjustments to annual required contribution	<u>(68,408)</u>
Annual OPEB cost	431,998
Contributions made	<u>(144,852)</u>
Increase in net OPEB obligation	287,146
Net OPEB obligation at beginning of year	<u>1,114,296</u>
Net OPEB obligation at end of year	<u><u>\$ 1,401,442</u></u>



**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE O - POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2015 actuarial valuation using the following assumptions:

Date of Actuarial valuation	January 1, 2015
Investment rate of return	4.50%
Projected salary increases due to inflation	5.0%
Cost method	Entry Age Normal
Amortization method	Level Dollar Open
Remaining amortization period	30 years
Healthcare trend rate	6.0% in 2015 and 5.5% in 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later.

**Three Year Trend Information**

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$ 331,212	35%	\$ 834,890
2015	436,578	26%	1,114,296
2016	431,998	34%	1,401,442

**NOTE P - ESCROW CASH DEPOSITS AND INVESTMENTS**

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from, or expended on behalf of, the developers are recorded in the revenues or expenses of the Township. At December 31, 2016, \$477,593 represents the balance of these monies held in escrow.

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE Q - SERVICE AGREEMENT**

**Sanitary Sewer Lease**

The Towamencin Municipal Authority (formerly Upper Gwynedd-Towamencin Municipal Authority) (the Authority) is a public corporation organized on June 12, 1964, under the enabling state legislation (Municipality Authorities Act of 1945).

On March 2, 2015, the Authority, Upper Gwynedd Township and Towamencin Township entered into an inter-municipal agreement. As part of this agreement, Upper Gwynedd withdrew from the Authority. The Authority paid Upper Gwynedd Township \$4 million and its capital account balance with the Authority less its share of various projects. Upon withdrawal, Upper Gwynedd Township became a customer of Towamencin Township. Upper Gwynedd Township will pay \$1,125,000 to Towamencin Township adjusted annually for new residential connections or changes to commercial flow, until its project to redirect its flow is complete. Upper Gwynedd Township paid \$1,130,625 for the year ended December 31, 2016.

**Operating Service Charges**

An operating service charge based on the Authority's operating budget is payable in quarterly installments. The charge is subject to adjustment after the close of each year when actual amounts are available.

The operating service charge adjustment for the year ended December 31, 2016, applying the accrual basis, is computed as follows:

	<u>Total</u>
ALLOCATION CALCULATION	
Current year's operating service charge payments	\$ <u>2,801,380</u>
Current year's total operating costs	2,546,965
Less earnings on investments	<u>932</u>
 NET OPERATING COSTS ALLOCATED	 <u>2,546,033</u>
 CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, OVER	  \$ <u><u>255,347</u></u>

**TOWAMENCIN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE R - EMERGENCY RADIO PROJECT**

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Valley Regional Finance Authority("DelVal"), that wish to participate in the Project. For the year ended December 31, 2015, the Township elected to participate in the Project and entered into a Promissory Note with the County in the amount of \$352,510 to be repaid in five annual installments of \$70,502 each. As of December 31, 2016, the purchased equipment has not yet been received by the Township and, therefore, neither the asset nor the related liability are reflected in these financial statements.

**TOWAMENCIN TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Real estate taxes, net	\$ 2,200,930	\$ 2,156,648	\$ 2,148,796	\$ (7,852)
Earned income taxes	3,000,000	3,225,000	3,260,803	35,803
Local services tax	300,000	310,000	326,953	16,953
Real estate transfer tax	400,000	400,000	447,171	47,171
Intergovernmental revenues	456,610	551,452	504,051	(47,401)
Licenses and permits	771,675	811,650	821,791	10,141
Fines and forfeits	78,000	76,000	77,934	1,934
Charges for services	13,000	9,753	40,458	30,705
Investment income and rents	47,240	43,990	43,982	(8)
Miscellaneous	84,850	110,540	119,764	9,224
<b>TOTAL REVENUES</b>	<u>7,352,305</u>	<u>7,695,033</u>	<u>7,791,703</u>	<u>96,670</u>
<b>EXPENDITURES</b>				
General government	1,399,450	1,475,900	1,487,734	(11,834)
Public safety	5,042,047	5,018,039	4,864,462	153,577
Parks and recreation	5,500	5,500	5,500	-
Highways	1,338,035	1,126,240	1,109,169	17,071
<b>TOTAL EXPENDITURES</b>	<u>7,785,032</u>	<u>7,625,679</u>	<u>7,466,865</u>	<u>158,814</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(432,727)</u>	<u>69,354</u>	<u>324,838</u>	<u>255,484</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(905,000)	(1,072,200)	(1,343,709)	(271,509)
Operating transfers in	908,200	908,200	1,108,200	200,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,200</u>	<u>(164,000)</u>	<u>(235,509)</u>	<u>(71,509)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (429,527)</u>	<u>\$ (94,646)</u>	89,329	<u>\$ 183,975</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<u>1,300,311</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ 1,389,640</u>	

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWAMENCIN TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**POLICE PENSION PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 299,507	\$ 285,245	\$ 271,550
Interest	916,059	868,469	851,785
Differences between expected and actual experience	-	(337,966)	-
Benefit payments	<u>(576,099)</u>	<u>(570,117)</u>	<u>(610,897)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	639,467	245,631	512,438
Total pension liability, beginning	<u>11,439,279</u>	<u>11,193,648</u>	<u>10,681,210</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u>\$ 12,078,746</u>	<u>\$ 11,439,279</u>	<u>\$ 11,193,648</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 773,557	\$ 814,586	\$ 750,629
Member	112,433	109,860	105,271
Net investment income	835,419	(315,299)	437,151
Benefit payments, including refunds of member contributions	(576,099)	(570,117)	(610,897)
Administrative expense	<u>(8,125)</u>	<u>(40,618)</u>	<u>(8,392)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,137,185	(1,588)	673,762
Plan fiduciary net position, beginning	<u>9,177,703</u>	<u>9,179,291</u>	<u>8,505,529</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u>\$ 10,314,888</u>	<u>\$ 9,177,703</u>	<u>\$ 9,179,291</u>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<u>\$ 1,763,858</u>	<u>\$ 2,261,576</u>	<u>\$ 2,014,357</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>85.40%</u>	<u>80.23%</u>	<u>82.00%</u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u>\$ 2,129,513</u>	<u>\$ 2,112,439</u>	<u>\$ 2,021,915</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<u>82.83%</u>	<u>107.06%</u>	<u>99.63%</u>

**TOWAMENCIN TOWNSHIP**  
**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**POLICE PENSION PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 773,557	\$ 814,586	\$ 750,629
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>773,557</u>	<u>814,586</u>	<u>750,629</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,129,513</u>	<u>\$ 2,112,439</u>	<u>\$ 2,021,915</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>36.33%</u>	<u>38.56%</u>	<u>37.12%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	5 years
Asset valuation method	Smoothed value with a corridor of 90% to 110% of market value
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	8.0%
Retirement age	Latest of age 53, age at the completion of 25 years of service
Mortality	RP-2000 Table

**TOWAMENCIN TOWNSHIP**  
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS  
POLICE PENSION PLAN  
LAST THREE FISCAL YEARS

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.98%</u>	<u>(3.40)%</u>	<u>8.00%</u>



**TOWAMENCIN TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**NON-UNIFORMED EMPLOYEES' PENSION PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 96,050	\$ 91,476	\$ 104,908
Interest	238,558	223,653	216,200
Differences between expected and actual experience	-	(92,581)	-
Benefit payments	<u>(140,848)</u>	<u>(125,919)</u>	<u>(117,948)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	193,760	96,629	203,160
Total pension liability, beginning	<u>2,956,353</u>	<u>2,859,724</u>	<u>2,656,564</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b><u>\$ 3,150,113</u></b>	<b><u>\$ 2,956,353</u></b>	<b><u>\$ 2,859,724</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
Employer	\$ 162,360	\$ 182,117	\$ 151,635
Net investment income	242,877	(86,197)	111,632
Benefit payments, including refunds of member contributions	(140,848)	(125,919)	(117,948)
Administrative expense	<u>(7,077)</u>	<u>(9,759)</u>	<u>(4,017)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	257,312	(39,758)	141,302
Plan fiduciary net position, beginning	<u>2,468,146</u>	<u>2,507,904</u>	<u>2,366,602</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b><u>\$ 2,725,458</u></b>	<b><u>\$ 2,468,146</u></b>	<b><u>\$ 2,507,904</u></b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b><u>\$ 424,655</u></b>	<b><u>\$ 488,207</u></b>	<b><u>\$ 351,820</u></b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>86.52%</u>	<u>83.49%</u>	<u>87.70%</u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<b><u>\$ 1,127,124</u></b>	<b><u>\$ 1,109,322</u></b>	<b><u>\$ 1,104,987</u></b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<u>37.68%</u>	<u>44.01%</u>	<u>31.84%</u>

**TOWAMENCIN TOWNSHIP**  
**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**NON-UNIFORMED EMPLOYEES' PENSION PLAN**  
**LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 162,360	\$ 181,117	\$ 151,635
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>162,360</u>	<u>182,117</u>	<u>151,635</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,127,124</u>	<u>\$ 1,109,322</u>	<u>\$ 1,104,987</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>14.40%</u>	<u>16.42%</u>	<u>13.72%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	14 years
Asset valuation method	Smoothed value with a corridor of 90% to 110% of market value
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	8.0%
Retirement age	Normal retirement age
Mortality	RP-2000 Table
Change in benefit terms	New hires not eligible for Plan effective August 1, 2014

**TOWAMENCIN TOWNSHIP**  
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS  
NON-UNIFORMED EMPLOYEES' PENSION PLAN  
LAST THREE FISCAL YEARS

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>9.89%</u>	<u>(3.41)%</u>	<u>8.00%</u>

**TOWAMENCIN TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED DECEMBER 31, 2016**

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**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
January 1,						
2015	\$ -	\$ 3,901,593	\$ 3,901,593	0.0%	\$ 2,150,648	181.4%
2012	-	3,165,816	3,165,816	0.0%	2,062,606	153.5%
2009	-	2,981,465	2,981,465	0.0%	1,863,599	160.0%

**SCHEDULE OF EMPLOYER AND OTHER ENTITY CONTRIBUTIONS**

Year Ended December 31,	Annual Required Contribution (ARC)	Contributions from Employer	Percentage Contributed
2011	\$ 304,829	\$ 107,219	35%
2012	342,676	109,057	32%
2013	342,676	112,738	33%
2014	342,676	120,224	35%
2015	450,263	113,071	25%
2016	450,263	144,852	32%

## **SUPPLEMENTARY INFORMATION SECTION**

**TOWAMENCIN TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Special Revenue Funds	Capital Project Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 128,628	\$ 125,112	\$ 253,740
Investments	116,275	-	116,275
Accounts receivable	805	165,297	166,102
Taxes receivable, net	4,923	-	4,923
Prepaid expenses	16,250	-	16,250
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ <u>266,881</u>	\$ <u>290,409</u>	\$ <u>557,290</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ <u>39,719</u>	\$ <u>75,626</u>	\$ <u>115,345</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>4,706</u>	<u>-</u>	<u>4,706</u>
 <b>FUND BALANCES</b>			
Restricted			
Highway and street projects	126,340	-	126,340
Fire protection	-	-	-
Street lights	15	-	15
Parks and recreation	62,172	-	62,172
Capital projects	-	-	-
Committed			
Public art	-	117,692	117,692
Community pool	34,988	-	34,988
Assigned			
Capital projects	-	7,420	7,420
Unassigned	<u>(1,059)</u>	<u>89,671</u>	<u>88,612</u>
TOTAL FUND BALANCES	<u>222,456</u>	<u>214,783</u>	<u>437,239</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>			
	\$ <u>266,881</u>	\$ <u>290,409</u>	\$ <u>557,290</u>

**TOWAMENCIN TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Real estate taxes, net			
Current year	\$ 418,500	\$ -	\$ 418,500
Prior years and liened taxes	1,836	-	1,836
Intergovernmental revenues	677,127	165,297	842,424
Departmental earnings	147,176	-	147,176
Investment income and rents	1,821	77	1,898
Miscellaneous	8,047	-	8,047
<b>TOTAL REVENUES</b>	<u>1,254,507</u>	<u>165,374</u>	<u>1,419,881</u>
<b>EXPENDITURES</b>			
Public safety	366,002	-	366,002
Parks and recreation	866,290	20,881	887,171
Highways	735	-	735
Capital outlays	-	1,044,492	1,044,492
<b>TOTAL EXPENDITURES</b>	<u>1,233,027</u>	<u>1,065,373</u>	<u>2,298,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>21,480</u>	<u>(899,999)</u>	<u>(878,519)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of capital lease	-	761,304	761,304
Operating transfers out	(307,000)	(195,948)	(502,948)
Operating transfers in	287,000	385,000	672,000
Proceeds from sale of capital assets	-	37,911	37,911
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>(20,000)</u>	<u>988,267</u>	<u>968,267</u>
NET CHANGE IN FUND BALANCES	1,480	88,268	89,748
FUND BALANCES AT BEGINNING OF YEAR	<u>220,976</u>	<u>126,515</u>	<u>347,491</u>
FUND BALANCES AT END OF YEAR	<u>\$ 222,456</u>	<u>\$ 214,783</u>	<u>\$ 437,239</u>

**TOWAMENCIN TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2016**

	Street Lighting Fund	Fire Protection Fund	Parks and Recreation Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 50	\$ 9,728	\$ 73,674
Investments	-	-	-
Accounts receivable	-	220	585
Taxes receivable, net	-	703	4,220
Prepaid expenses	-	16,250	-
	<u>50</u>	<u>16,250</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 50</u>	<u>\$ 26,901</u>	<u>\$ 78,479</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ <u>35</u>	\$ <u>27,288</u>	\$ <u>12,273</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>-</u>	<u>672</u>	<u>4,034</u>
<b>FUND BALANCES</b>			
Restricted			
Highway and street projects	-	-	-
Fire protection	-	-	-
Street lights	15	-	-
Parks and recreation	-	-	62,172
Capital projects	-	-	-
Committed			
Public art	-	-	-
Community pool	-	-	-
Unassigned	<u>-</u>	<u>(1,059)</u>	<u>-</u>
TOTAL FUND BALANCES	<u>15</u>	<u>(1,059)</u>	<u>62,172</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 50</u>	<u>\$ 26,901</u>	<u>\$ 78,479</u>



Pool Fund	Highway Aid	Total Nonmajor Special Revenue Funds
\$ 35,111	\$ 10,065	\$ 128,628
-	116,275	116,275
-	-	805
-	-	4,923
-	-	16,250
<u>\$ 35,111</u>	<u>\$ 126,340</u>	<u>\$ 266,881</u>
\$ <u>123</u>	\$ <u>-</u>	\$ <u>39,719</u>
<u>-</u>	<u>-</u>	<u>4,706</u>
-	126,340	126,340
-	-	-
-	-	15
-	-	62,172
-	-	-
-	-	-
34,988	-	34,988
-	-	(1,059)
<u>34,988</u>	<u>126,340</u>	<u>222,456</u>
<u>\$ 35,111</u>	<u>\$ 126,340</u>	<u>\$ 266,881</u>

**TOWAMENCIN TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Street Lighting Fund</u>	<u>Fire Protection Fund</u>	<u>Parks and Recreation Fund</u>
<b>REVENUES</b>			
Real estate taxes, net			
Current year	\$ 735	\$ 59,677	\$ 358,088
Prior years and liened taxes	-	259	1,577
Intergovernmental revenues	-	173,688	19,004
Departmental earnings	-	-	3,229
Investment income and rents	-	-	298
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>735</u>	<u>233,624</u>	<u>382,196</u>
<b>EXPENDITURES</b>			
Public safety	-	366,002	-
Parks and recreation	-	-	201,344
Highways	735	-	-
<b>TOTAL EXPENDITURES</b>	<u>735</u>	<u>366,002</u>	<u>201,344</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(132,378)</u>	<u>180,852</u>
<b>OTHER FINANCING USES</b>			
Operating transfers out	-	-	(307,000)
Operating transfers in	-	127,000	67,000
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>-</u>	<u>127,000</u>	<u>(240,000)</u>
NET CHANGE IN FUND BALANCES	-	(5,378)	(59,148)
FUND BALANCES AT BEGINNING OF YEAR	<u>15</u>	<u>4,319</u>	<u>121,320</u>
FUND BALANCES AT END OF YEAR	<u>\$ 15</u>	<u>\$ (1,059)</u>	<u>\$ 62,172</u>

<u>Pool Fund</u>	<u>Highway Aid</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ 418,500
-	-	1,836
-	484,435	677,127
143,947	-	147,176
-	1,523	1,821
8,047	-	8,047
<u>151,994</u>	<u>485,958</u>	<u>1,254,507</u>
-	-	366,002
233,471	431,475	866,290
-	-	735
<u>233,471</u>	<u>431,475</u>	<u>1,233,027</u>
<u>(81,477)</u>	<u>54,483</u>	<u>21,480</u>
-	-	(307,000)
<u>93,000</u>	<u>-</u>	<u>287,000</u>
<u>93,000</u>	<u>-</u>	<u>(20,000)</u>
11,523	54,483	1,480
<u>23,465</u>	<u>71,857</u>	<u>220,976</u>
<u>\$ 34,988</u>	<u>\$ 126,340</u>	<u>\$ 222,456</u>

**TOWAMENCIN TOWNSHIP**  
**BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**DECEMBER 31, 2016**

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	<u>General Capital Fund</u>	<u>Capital Public Art</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 117,692
Accounts receivable	<u>165,297</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 165,297</u>	<u>\$ 117,692</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ <u>75,626</u>	\$ <u>-</u>
<b>FUND BALANCE</b>		
Committed		
Public art	-	117,692
Assigned		
Capital projects	-	-
Unassigned	<u>89,671</u>	<u>-</u>
TOTAL FUND BALANCES	<u>89,671</u>	<u>117,692</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 165,297</u>	<u>\$ 117,692</u>

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<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ 4,356	\$ 3,064	\$ 125,112
<u>-</u>	<u>-</u>	<u>165,297</u>
<u>\$ 4,356</u>	<u>\$ 3,064</u>	<u>\$ 290,409</u>
\$ -	\$ -	\$ 75,626
-	-	117,692
4,356	3,064	7,420
<u>-</u>	<u>-</u>	<u>89,671</u>
<u>4,356</u>	<u>3,064</u>	<u>214,783</u>
<u>\$ 4,356</u>	<u>\$ 3,064</u>	<u>\$ 290,409</u>

**TOWAMENCIN TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

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	<u>General Capital</u>	<u>Public Art</u>
REVENUES		
Intergovernmental revenues	\$ 165,297	\$ -
Investment income and rents	<u>-</u>	<u>63</u>
TOTAL REVENUES	<u>165,297</u>	<u>63</u>
EXPENDITURES		
Parks and recreation	-	-
Capital outlay	<u>1,044,492</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,044,492</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(879,195)</u>	<u>63</u>
OTHER FINANCING SOURCES		
Proceeds from issuance of capital lease	761,304	-
Operating transfers out	-	-
Operating transfers in	171,000	-
Proceeds from sale of capital assets	<u>37,911</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>970,215</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	91,020	63
FUND BALANCE AT BEGINNING OF YEAR	<u>(1,349)</u>	<u>117,629</u>
FUND BALANCE AT END OF YEAR	<u>\$ 89,671</u>	<u>\$ 117,692</u>

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<u>Park Capital</u>	<u>TT Authority</u>	<u>Total Capital Project Funds</u>
\$ -	\$ -	\$ 165,297
<u>3</u>	<u>11</u>	<u>77</u>
<u>3</u>	<u>11</u>	<u>165,374</u>
20,881	-	20,881
<u>-</u>	<u>-</u>	<u>1,044,492</u>
<u>20,881</u>	<u>-</u>	<u>1,065,373</u>
<u>(20,878)</u>	<u>11</u>	<u>(899,999)</u>
-	-	761,304
(195,948)	-	(195,948)
214,000	-	385,000
<u>-</u>	<u>-</u>	<u>37,911</u>
<u>18,052</u>	<u>-</u>	<u>988,267</u>
<u>(2,826)</u>	<u>11</u>	<u>88,268</u>
<u>7,182</u>	<u>3,053</u>	<u>126,515</u>
\$ <u><u>4,356</u></u>	\$ <u><u>3,064</u></u>	\$ <u><u>214,783</u></u>

**TOWAMENCIN TOWNSHIP**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 328,185	\$ 88,604	\$ 416,789
Investments			
Certificates of deposit	897,866	232,166	1,130,032
Exchange traded funds	94,235	30,075	124,310
Corporate bonds	1,078,615	224,849	1,303,464
Equity mutual funds	125,147	5,249	130,396
Common stocks	7,739,683	2,142,807	9,882,490
Prepaid expenses	<u>51,316</u>	<u>12,139</u>	<u>63,455</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,315,047</u></b>	<b><u>\$ 2,735,889</u></b>	<b><u>\$ 13,050,936</u></b>
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>\$ 10,315,047</u>	<u>\$ 2,735,889</u>	<u>\$ 13,050,936</u>



**TOWAMENCIN TOWNSHIP****COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2016**

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	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 885,990	\$ 168,605	\$ 1,054,595
Investment income	<u>835,420</u>	<u>243,477</u>	<u>1,078,897</u>
TOTAL ADDITIONS	<u>1,721,410</u>	<u>412,082</u>	<u>2,133,492</u>
DEDUCTIONS			
Benefit payments to retired plan participants	576,099	140,848	716,947
Administrative	<u>5,716</u>	<u>5,155</u>	<u>10,871</u>
TOTAL DEDUCTIONS	<u>581,815</u>	<u>146,003</u>	<u>727,818</u>
CHANGE IN NET POSITION	1,139,595	266,079	1,405,674
NET POSITION AT BEGINNING OF YEAR	<u>9,175,452</u>	<u>2,469,810</u>	<u>11,645,262</u>
NET POSITION AT END OF YEAR	<u>\$ 10,315,047</u>	<u>\$ 2,735,889</u>	<u>\$ 13,050,936</u>