

**NORTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

NORTHAMPTON TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2010

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Northampton Township

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, except that noted below, each major fund, and the aggregate remaining fund information of Northampton Township, Bucks County, Pennsylvania as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of Northampton Township's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for one of the Township's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Township has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit have not been reported.

In our opinion, because of the omission of one of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of Northampton Township, Pennsylvania, as of December 31, 2010, and the changes in its financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, except that noted above, and each major fund of Northampton Township, Bucks County, Pennsylvania, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 15 and the historical trend information on pages 62 through 64 are not a required part of the basic financial statements but is supplemental information, required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Northampton's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

August 3, 2011

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

As the Township Board of the Northampton Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Northampton Township for the fiscal year ended December 31, 2010. Please read in conjunction with the Township's financial statements which follow this section.

Financial Highlights

Government-wide Financial Statements (Full Accrual)

- The assets of Northampton Township exceeded its liabilities at the close of the most recent fiscal year by \$238,582,000 (*net assets*). Of this amount, \$3,550,000 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total debt decreased by \$891,871 or 3.3% during the current fiscal year. All long-term GOB debt was restructured in April and October of 2010. This caused the elimination of some principal payments on the previous debt during FY 2010. Also adjustments were made to previous principal payment dates to coincide with our higher cash-flow period. The key factors for this decrease are:
 - Annual Debt Service Payment in 2010
 - Annual Capital Lease Payment in 2010

Fund Financial Statements (Modified Accrual)

- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,671,556, an increase of \$685,342 (+23%) in comparison with the prior year. The total combined fund balance of \$3,671,556 is available for spending at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$361,084 or 3.2% of total general fund expenditures, \$11,272,210.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Northampton Township's basic financial statements. The Township's basic financial statements comprise three components:

- 1) government-wide financial statements, (Full Accrual)
- 2) fund financial statements, (Modified Accrual)
- 3) notes to the financial statements.

This report also contains other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Township's financial position is improving or deteriorating. The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). 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*).

NORTHAMPTON TOWNSHIP

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The governmental and business-type activities of the Township include:

- General Government
- Code Enforcement
- Public Safety
- Sanitation
- Public Works
- Culture & Recreation
- Debt Service
- Northampton Public Library (Component Unit)
- Northampton Volunteer Fire Company (Component Unit)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Northampton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Northampton Township maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Park & Recreation, Debt Service, Capital Reserve (GF), and Capital Reserve (Fire) Funds, which are considered to be major funds.

Data from the other governmental funds (Rescue, Fire, Library, Senior Center, Highway Aid, Capital Reserve (Recreation), Capital Reserve (Rescue) and Treasury & Justice) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and park and recreation fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are used to account for services for which the Township charges a fee. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The refuse fund and street light fund are the Township's two proprietary funds. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

Notes to the 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Northampton Township, assets exceeded liabilities by \$238,582,000 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net assets (98%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net assets:

Table 1
Statement of Net Assets – December 31, 2010
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 8,022	\$ 7,451	\$ 1,303	\$ 1,240	\$ 9,325	\$ 8,691
Capital assets	<u>258,187</u>	<u>192,899</u>	<u>-</u>	<u>-</u>	<u>258,187</u>	<u>192,899</u>
Total Assets	<u>266,209</u>	<u>200,350</u>	<u>1,303</u>	<u>1,240</u>	<u>267,512</u>	<u>201,590</u>
Long term liabilities	2,570	25,047	-	-	2,570	25,047
Other liabilities	<u>25,057</u>	<u>3,101</u>	<u>576</u>	<u>572</u>	<u>25,633</u>	<u>3,673</u>
Total Liabilities	<u>27,627</u>	<u>28,148</u>	<u>576</u>	<u>572</u>	<u>28,203</u>	<u>28,720</u>
Net Assets						
Invested in capital assets, net of debt	234,874	167,929	-	-	234,874	167,929
Restricted	158	311	-	-	158	311
Unrestricted	<u>3,550</u>	<u>3,962</u>	<u>727</u>	<u>668</u>	<u>4,277</u>	<u>4,630</u>
Total Net Assets	<u>\$ 238,582</u>	<u>\$ 172,202</u>	<u>\$ 727</u>	<u>\$ 668</u>	<u>\$ 239,309</u>	<u>\$ 172,870</u>

NORTHAMPTON TOWNSHIP

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An additional portion of the Township's net assets (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,550,000) may be used to meet the Township's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The Township's net assets increased by \$66,380,000 during the current fiscal year as discussed below. This substantial increase was primarily due to the large amount (584,657 sq ft) of additional roadway that was dedicated in 2010.

For the most part, increases in operating expenses closely paralleled inflation and growth in the demand for services. One noteworthy exception, however, is the increase of expenses due to depreciation of the Township's infrastructure.

Table 2
Changes in Net Assets – 2010
(in thousands)

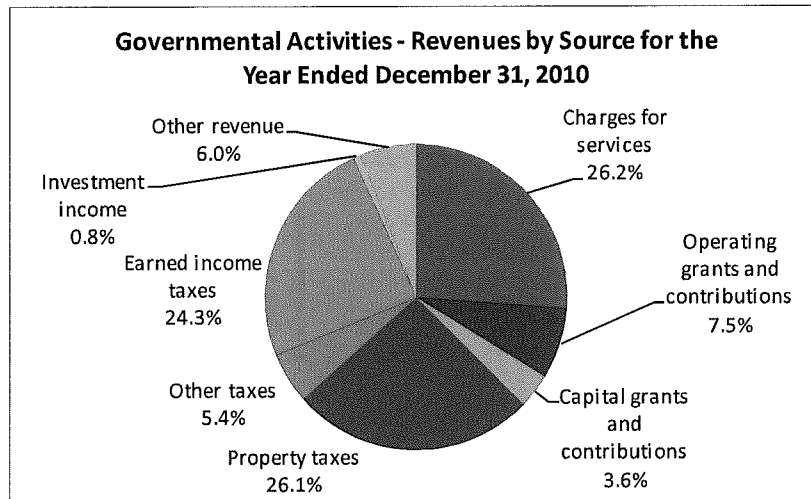
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES						
Program revenues:						
Charges for services	\$ 2,079	\$ 1,948	\$ 4,502	\$ 4,460	\$ 6,581	\$ 6,408
Operating grants and contributions	1,552	1,400	328	308	1,880	1,708
Capital grants and contributions	73,082	-	-	-	73,082	-
General revenues:						
Property taxes	6,539	6,062	-	-	6,539	6,062
Other taxes	7,456	7,226	-	-	7,456	7,226
Grants and contributions not restricted to specific programs	915	59	-	-	915	59
Investment income	202	124	5	3	207	127
Miscellaneous	1,456	1,355	-	-	1,456	1,355
Gain on sale of capital assets	47	148	-	-	47	148
Total Revenues	<u>93,328</u>	<u>18,322</u>	<u>4,835</u>	<u>4,771</u>	<u>98,163</u>	<u>23,093</u>
EXPENSES						
General government	3,757	3,028	-	-	3,757	3,028
Code enforcement	517	531	-	-	517	531
Public safety	6,891	6,687	-	-	6,891	6,687
Sanitation	-	-	4,689	4,514	4,689	4,514
Public works	11,298	7,959	87	106	11,385	8,065
Culture and recreation	3,052	3,429	-	-	3,052	3,429
Debt service	1,433	1,288	-	-	1,433	1,288
Total Expenses	<u>26,948</u>	<u>22,922</u>	<u>4,776</u>	<u>4,620</u>	<u>31,724</u>	<u>27,542</u>
Change in Net Assets	66,380	(4,600)	59	151	66,439	(4,449)
Net Assets - Beginning	172,202	176,802	668	517	172,870	177,319
Prior Period Adjustment	-	-	-	-	-	-
Net Assets - Ending	<u>\$ 238,582</u>	<u>\$ 172,202</u>	<u>\$ 727</u>	<u>\$ 668</u>	<u>\$ 239,309</u>	<u>\$ 172,870</u>

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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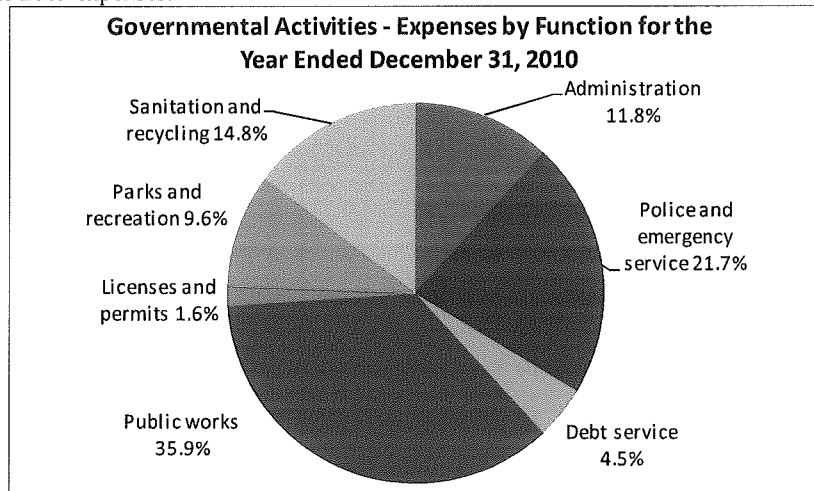
For the fiscal year ended December 31, 2010, revenues for governmental and business-type activities totaled \$98.2 million, an increase of \$75.1 million over 2009. This substantial increase was primarily due to the large amount (584,657 sq ft) of additional roadway that was dedicated in 2010, and subsequently added to the Township's asset inventory. NOTE: This dollar amount (\$73,082,000) is excluded from the following Revenue Chart. Sources of revenue for the fiscal year 2010 are comprised of the following items:



Charges for services remain as a significant revenue source for the Township at \$6.6 million (26.2% of total revenues--less roadway adoption). The Township's third largest revenue source, the earned income taxes, totaled \$6.2 million (24.3%). The Township's assessed value of real property exceeded \$598 million resulting in \$6.5 million (26.1%) in real estate taxes. Other taxes consisted of property transfer tax generated \$.78 million, per capita taxes generated \$.14 million, and local service tax generated \$.31 million. Other sources of general revenues include investment income (\$.2 million) and other income (\$1.5 million).

Revenues received in fiscal 2010 to fund specific Township programs totaled \$8.5 million. This included \$6.58 million (26.2% of total revenues) for direct charges for Township services and \$1.88 million (7.5%) from operating and capital program grants and contributions.

For the 2010 fiscal year, expenses for government and business-type activities totaled \$31.7 million, an increase of \$4.1 million over 2009 expenses.



NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As the chart above indicates, the largest program expense is for public works activities at \$11.4 million (35.9% of total expenses). Police and emergency services activity is the Township's second largest program with expenses of \$6.9 million (21.7%). Sanitation and recycling is the third largest program expense at \$4.7 million (14.8%).

The change in net assets reflects the difference between total revenues and total expenses. For governmental activities and business-type in fiscal 2010, revenues and net transfers (\$98,163,000) exceeded expenses (\$31,724,000) by \$66,439,000 resulting in an increase in net assets by that amount. The year ended with total Net Assets of \$239,309 million.

Financial Analysis of the Township's Funds

As noted earlier, the Township used 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 Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,671,556, an increase of \$685,342 or (+23%) in comparison with the prior year. This fund balance constitutes *unreserved fund balance*, which is available for spending at the Township's discretion.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$361,084. Unreserved fund balance represents 3.2% of total general fund expenditures.

The fund balance of the Township's general fund increased \$499,900 during the current fiscal year.

General Fund Budgetary Highlights

There were no budget amendments so the original and the final budget are the same. Budget variances are discussed as follows:

TAX REVENUES:

- Real Estate Transfer Taxes experienced a \$24,232 reduction from estimated budget. The recession which began in 2008 continued through 2009, and in 2010, is still negatively affecting property sales and the Township's share of the County's Transfer Tax. Although not as dire as 2009 with its \$71,000 decline from budget, we remain in a negative situation for three years in a row.
- Earned Income Taxes experienced a \$213,989 reduction from estimated budget. Actual revenues, which fell 3.3% below the budget, were a continuing reflection of a very-slowly-improving 2010 economy, instead of the steady growth seen in years previous to 2007. Although adjusted for the recession, 2010 budget figures were more optimistic than what actually occurred.
- Real Estate Property Taxes experienced a \$21,588 reduction from 2010 Budget. This reflects the pay-outs for reassessments during the fiscal year.

FEES, LICENSES & PERMITS:

- Cable TV Franchise Fees experienced a \$103,418 increase over budget. Additional revenue from a new source (Verizon) occurred in 2010.
- Street Opening Permits experienced a \$13,918 increase over budget. This line reflected the additional permit fees from Verizon's continued installation activity.

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INTEREST & RENTS:

- Interest on excess cash experienced a \$4,409 reduction from estimated budget. Extremely low interest rates and low cash levels in the general fund were main contributors.
- Cell Tower Leases experienced a \$21,038 increase over budget. Additional tower vendors came on-line in 2010.

INTERGOVERNMENTAL REVENUES:

- SAFR Fire Fighter Grant contributed \$198,936 or approximately 90% of F/T Fire Fighter wages in 2010. The budget was conservatively estimated. This Grant will dwindle over its 5-year life.
- CDBG Grants brought in \$65,929 for installation of Curb Cuts in 2010.
- The State Aid for Voluntary Firefighter Pension was increased by \$22,415 from the 2009 level.

CHARGES FOR SERVICES:

- Special Police Services experienced a \$22,936 reduction from estimated budget, as there was less use of our billable police hours for services.
- Building Permits came in \$26,828 over budget estimates. Although not a reflection of "new" building, rather an indication of changes being made to existing structures in the Township.
- Use & Occupancy: The prevailing recession has still negatively affected our Use And Occupancy Revenue line. At \$23,097 below budget, there was hardly any "new" construction during 2010.
- Zoning Permits: Several (but few) active development projects allowed for an increase in the issuances of Zoning Permits, and an increase on this revenue line of \$23,808 over budget.

OTHER REVENUES:

- Workers Compensation claims and subsequent reimbursements from our insurance carrier exceeded budgeted expectations by \$39,000. A difficult item to budget, where an on-going conservative average seems to be a best estimate.
- Fuel reimbursement from the Fire and Rescue Departments was up almost \$16,000 for the year. Additional department runs plus an increase in the price of gasoline added to this situation.
- Sale of Fixed Assets line was budgeted to reflect the sale of the School House for \$537,000 in 2010. Although a buyer had been interested during the year, no contract of sale ensued. By year-end, the building was still on the market. For 2011, I plan to more-appropriately budget this revenue in the Capital Reserve Fund.
- Giaimo – Spread Eagle Payments: The outstanding loan between Mr. Giaimo and the Township was renegotiated in 2010. Principal payments were reduced, a balloon payment is due in 2012, and all accrued revenue for past outstanding payments had to be reversed. This revenue line underperformed the budget by \$126,475.
- Transfer – Highway Aid: In order to provide some additional funding (\$25,000) for paving projects in 2011, the General Fund reduced its transfer from the Highway Aid Fund for 2010.

GENERAL GOVERNMENT:

- Finance - Salaries & Wages: Under budget \$9,900. Part-time person budgeted but not hired.
- Finance Professional Services: Under budget \$13,935. Additional fees anticipated for Bond refinancing effort. Cost reduced by in-house work on old Bonds, for IRS compliance. Plus remaining costs were rolled into new issues.
- Tax Collection - Professional Services: Over budget \$23,588. For a second year this line has been slightly under-budgeted to reflect economic conditions and the drop in EIT revenue. Collection costs were exceeded by \$20,000. In addition, \$3,600 was expended for the Buck County Tax Collection Consortium for facilitating the appointment of a new EIT and LST tax collector (Keystone).

NORTHAMPTON TOWNSHIP

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GENERAL GOVERNMENT (continued):

- General and Special Legal Services: Under budget \$19,800 and \$18,300 respectively. Minimal economic development for second year in a row since the recession hit had minimalized our legal involvement and legal expenses. Also, special legal needs for union negotiations were less than anticipated.
- Buildings & Ground - Utilities: Under budget \$14,600. Efforts were taken in 2010 to reduce our energy consumption. From the installation of a more efficient HVAC system in the Administrative bldg. to the retro-fitting of new LED lighting in several buildings. The Township also switched from PECO for electric supply to Constellation Energy to stabilize future costs for the next three years.
- Contracted Services: Under budget \$10,490. The Janitorial Services contract was renewed with a different service provider at a substantial savings from previous contract and anticipated budget.
- Telecommunications Advisory - Professional Services: Under budget \$13,600. Services for broadcasting meetings and events, and maintaining equipment were kept to a minimum during the year. Only minimal expenses for special meetings beyond the regularly scheduled monthly meetings were experienced.
- Debt Interest: Under budget \$11,800. As cash reserves slowly grow across the funds, less cash is necessary from outside sources during the "lean" months (February, March, April). This expense was reduced by borrowing a TAN for a shorter period of time, and at a lower interest rate. I look forward to the day when this Township has enough cash reserves to eliminate the need for a TAN entirely.
- Employer Paid Benefits - Sick Leave: Under budget \$50,000. No employee retired that created an expense for this line.
- Employer Paid Benefits - Education Incentive: Over budget \$11,400. The Township reimburses employees for educational expenses that are related to their position. For 2010, several police personnel have been utilizing this benefit at a higher-than-budgeted level.
- Unclassified Expenditures - Firemen's Relief Association: Over budget \$22,500. This pay-out matches the revenue received from the State. The State funding was increased over the previous year, therefore our payment to the Fire Department was increased accordingly. Budget levels mimic previous year's actual.

PUBLIC SAFETY:

- Police Salary & Wages came in \$126,000 under budget. Partial vacancies during 2010 created this under-expenditure.
- Police FICA and Medical Insurance were also affected by a reduction in total actual wages. Together, these two items added an additional \$74,000 to 2010's savings.
- Police O/T Salaries and Reimbursable O/T: Under budget \$22,400 and \$33,000 respectively. A difficult line to estimate, for the actual expending depends on many variables in the Police Department. This budget amount \$190,000 usually remains constant from year to year. The need for our Police/Security services by other local organizations had declined since this current recession. This has reduced the reimbursable portion.
- Police Operating Supplies: Under budget \$11,700. The cooperation of all Department Heads to monitor spending was requested in 2010 since a large revenue item in the General Fund was questionable to occur (Sale of School House). The Chief postponed some spending on this line.
- Police Uniforms: Under budget \$11,700. Since this expenditure is contract related, the budget amount is calculated at maximum utilization by all officers. Replacement of, or new apparel was reasonably minimal for 2010.
- Code Enforcement Salaries & Wages: Under budget \$11,500. Part time person budgeted but not hired.
- Planning Commission Professional Services: Under budget \$30,600. Local development remained stagnant in 2010. Expenditures at this preliminary stage of development projects were even more dismal as the previous year.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HIGHWAYS & ROADS:

- Public Works - Salaries & Wages: Under budget \$112,800. Two positions remained open during 2010--- the Superintendent position and a labor position (temporarily vacated by a work-related injury and partially paid by the Township).
- Public Works - Medical Insurance: Under budget \$51,900. Open employment vacancies allowed some savings on this line.
- Snow & Ice Removal - O/T Salaries: Over budget \$39,400. For a second year in a row, our area experienced multiple major snow storms. All related expenses to provide safe roadways for our residents were much higher than their anticipated budgets.
- Fleet Maintenance - Salaries & Wages: Under budget \$24,900. During 2010, one of our mechanics passed away. The position remained open for the remainder of the fiscal year.
- Fleet Maintenance - Motor Fuels – Diesel: Over budget \$18,200. Higher prices paid and more fuel purchased during 2010. The budget for 2010 had conservatively remained at the 2009 level (\$65,000).
- Fleet Maintenance - Public Works Vehicles: Under budget \$14,300. Our effort to replace the older and higher maintenance vehicles in the fleet, is showing some positive effects on this expense line.
- Roads & Bridges - Operating Supplies: Under budget \$12,400. This budget amount remains consistent from year to year to allow for unexpected repair costs. No major repairs were necessary in 2010.

Although the economic down-turn of 2008 and 2009 continued through 2010, our budgeting for 2010 was much more representative of its possible effects as we ventured through the fiscal year. The total revenue shortfall of \$509,851 was mostly attributable to the non-sale of the Township owned School House which was budgeted at \$530,000. Upon disregarding this item, we actually had a revenue surplus of \$20,000. It is important to note that revenue from RE Transfer Tax has continued to remain at a 4-year low point at \$796,000. Our best, most recent year was 2005 with \$1,661,000 in revenue. This line is totally tied to the state of the local housing market, and may be the last recession-affected issue to turn-around. Similarly, other revenues like Earned Income Tax and Development Fees are still struggling from the extraordinary highs of the “good times” prior to 2007.

For a second year, appropriate reactionary efforts to the probable non-sale of the school house and its \$530,000 non-revenue, occurred on the expense side. A total expense savings of \$745,000 easily eclipsed the revenue shortfall by \$236,000. Add this to the budgeted surplus of \$264,000, and the General Fund happily sits on a Surplus of \$499,899 for fiscal year 2010. Our negative Fund Balance of \$138,816 at 12/31/09 becomes a positive \$361,084 at 12/31/10. As we distance ourselves from 2009, our goal to create the most realistic budgets towards a financially sound reserve balance appears to be on-track and remain a priority. An optimal Fund Balance of \$1,000,000 would fall within the recommended percentage range of 8% to 12% of Total Expenses. Efforts to approach these percentages in the future will strengthen the financials as reviewed by Bond Rating firms, and also support cash flow levels to reduce borrowing costs through the winter months.

Providing the maximum amount of service at the lowest possible cost to its taxpayers may be the current task-at-hand for all municipalities. The budget is clearly at the heart of this process. By developing realistic budgets, that are directed towards a strong financial future, and presented in a transparent manner, I believe this community will continue as a “most desired place to live”.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

The Northampton Township Board of Commissioners continues to place significant resources to the area of capital improvements.

This year's major capital improvements/additions include:

Building Improvements	\$ 40,795
Machinery and Equipment	329,359
Infrastructure	733,694

Long-term debt.

At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$24,930,000. Of this amount, \$24,930,000 comprises debt backed by the full faith and credit of the government and \$-0- represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Average Interest Rate</u>	<u>Final Maturity</u>	<u>Balance 1/1/2010</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Balance 12/31/2010</u>
1998	\$ 6,365,000	variable - 4.78%	2018	\$ 3,555,000	\$ 3,555,000	\$ 172,860	\$ -
2001	20,340,000	variable - 4.91%	2021	17,430,000	17,430,000	862,316	-
2002	3,260,000	variable - 2.98%	2012	775,000	775,000	25,032	-
2005	4,340,000	variable - 3.33%	2018	3,170,000	3,170,000	112,762	-
2010	16,410,000	variable - 3.02%	2021	-	-	-	16,410,000
2010	6,620,000	variable - 2.87%	2018	-	-	-	6,620,000
				<u>\$ 24,930,000</u>	<u>\$ 24,930,000</u>	<u>\$ 1,172,970</u>	<u>\$ 23,030,000</u>

Economic Factors and Next Year's Budgets and Rates

Entering FY 2011 with a positive General Fund Balance of \$361,000 puts us in a much better position than one year ago. Realistic budgeting that truly reflected the continuing effects of this recession, paid-off tremendously at year end 2010. However, economic fall-out still seems to be negatively affecting our RE Transfer Tax line (-31% of 2010) as we look 5 months into 2011. I believe other "housing market" revenue items (Development Planning, Building Permits, Use & Occupancy Permits, etc.) will struggle through 2011 as well. Although our zero-increase 2011 budget is tight, I believe we were mostly conservative on most revenue lines. We still have the ability to slow down the spending at mid-year if necessary.

Our more-attractive cash position has eliminated the need for a Tax Anticipation Note in 2011. Although interest rates are historically low, we did save several thousand dollars. Speaking of low interest rates, I believe we refinanced all outstanding debt at the bottom of the rate market last year. The effective savings will kick-in this year, and further strengthen our cash position going forward.

With economic pressure built into the 2011 budget, some cost savings due to a stronger cash position, and the ability to control the expenses at some level during the year, there exists a good argument for 2011 ending as budgeted with no effect on reserves. 2012 should prove more interesting with the economy still not promising large gains and the Police Union contract not settled yet. However, approaching 2012 from a more financially sound position will have its advantages.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

After two recent, major, Township capital projects (the new Senior Center and the Library facility expansion) only relatively minor projects were scheduled for 2011.

Providing Springbrook to Departments	\$ 5,000
Computer Replacements	10,000
Server Equipment	10,000
Keyless Entry System	2,500
Retrofit Lighting System (Admin Bldg)	20,000
Roof Repair – Public Works Bldg - Shop	8,000
Roof Repair – Public Works Bldg - Offices	8,000
Public Works Garage Doors (6)	16,000
Wall of Fame	25,000
HVAC System – Admin Bldg	110,000
Police Patrol Vehicles	43,000
Police Tactical Vests	3,000
Police Ballistic Vest Replacements	8,000
Replace Fire Apparatus	700,000
Springbrook Module for Code Enforcement & Zoning	20,000
Replace Large Dump	34,000
Replace Small Dump	12,100
Replace Street Sweeper	36,000
Crack Seal Machine	8,200
Utility Van	5,000
Mechanic Van	7,000
Replace Rubber-Tired Loader (installment)	27,000
Road Resurfacing	300,000
Bridge Repair	5,000
Curb Replacement	20,000
Replace Gym Floor	25,000
Civic Center (P&R) Site Improvements	20,000
Update Comprehensive Plan	20,000
Replace Tennis Courts	12,000
Replace Bleachers	2,500
Security Cameras – NAWC 39 Acres	6,000
NAWC 39 Acres (Native Gardens)	7,000
P & R – Zero Turn Mower	10,000
P & R – Replace large Pick-Up w/Plow	9,000
P & R – Replace Medium Dump Truck	<u>13,000</u>
 TOTAL	 \$ <u>1,567,300</u>

Requests for Information

This financial report is designed to provide a general overview of Northampton Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department of Northampton Township, 55 Township Road, Richboro, PA 18954.

**NORTHAMPTON TOWNSHIP
2010 AUDIT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2010

General	Park & Recreation	Capital Projects		GOB Debt Service	Other Government Funds	Total Government Funds
		Capital Asset Fire	Capital Reserve			

ASSETS

Current Assets

Cash & cash equivalents	0	317,699	1,676,765	0	48,376	422,338	2,465,178
Taxes Receivable	921,199	32,842	0	0	102,559	48,118	1,104,718
Accounts receivable	351,246	83	0	579,450	0	62,000	992,779
Installment loan receivable	269,694	0	0	0	0	0	269,694
Due from other funds	0	0	399,267	0	0	0	399,267
Total Current Assets	1,542,139	350,624	2,076,032	579,450	150,935	532,456	5,231,636

Restricted Assets

Cash & cash equivalents	417,411	0	0	0	0	0	417,411
Total Restricted Assets	417,411	0	0	0	0	0	417,411

TOTAL ASSETS

1,959,550	350,624	2,076,032	579,450	150,935	532,456	5,649,047
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LIABILITIES & FUND BALANCES

Liabilities

Accounts payable & accrued wages	557,853	46,761	0	1,156	0	13,012	618,782
Accrued Expenses	0	0	0	0	0	18,439	18,439
Escrow deposits	417,411	0	0	0	0	0	417,411
Due to other funds	308,493	0	0	74,448	0	16,326	399,267
Deferred revenue - Taxes	45,015	24,303	0	0	75,562	35,956	180,836
Deferred revenue - Other	0	0	0	73,062	0	0	73,062
Deferred revenue - Notes receivable	269,694	0	0	0	0	0	269,694
Total Liabilities	1,598,466	71,064	0	148,666	75,562	83,733	1,977,491

Fund Balances

Reserved, reported in Capital Projects	0	0	0	0	0	0	0
Unreserved, reported in:							
General fund	361,084	0	0	0	0	0	361,084
Debt service	0	0	0	0	75,373	0	75,373
Special revenue funds	0	279,560	0	0	0	162,421	441,981
Capital projects funds	0	0	2,076,032	430,784	0	286,302	2,793,118
Total Fund Balances	361,084	279,560	2,076,032	430,784	75,373	448,723	3,671,556
TOTAL LIABILITIES & FUND BAL	1,959,550	350,624	2,076,032	579,450	150,935	532,456	5,649,047

**NORTHAMPTON TOWNSHIP
2010 AUDIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2010

	General	Park & Recreation	Capital Projects		GOB Debt Service	Other Government Funds	Total Government Funds
			Capital Asset Fire	Capital Reserve			
Revenues							
Taxes							
Real Estate	1,616,412	869,126	0	0	2,751,454	1,294,256	6,531,248
Transfer	775,768	0	0	0	0	0	775,768
EIT	6,228,011	0	0	0	0	0	6,228,011
LST	310,351	0	0	0	0	0	310,351
Per Capita	141,720	0	0	0	0	0	141,720
Fees, Licenses & Permits	818,236	0	0	0	0	0	818,236
Investment Income & Rent	328,530	1,934	11,942	3,261	802	4,729	351,198
Intergovernmental Revenues	715,624	0	0	764,023	0	870,743	2,350,390
Fines & Forfeitures	103,708	0	0	0	0	0	103,708
Charges for Services	562,924	1,428,330	0	0	0	41,754	2,033,008
Other	225,826	15,332	0	273,216	4,552	425,044	943,970
Total Revenues	11,827,110	2,314,722	11,942	1,040,500	2,756,808	2,636,526	20,587,608
Expenditures							
Current							
General Government	1,441,007	0	0	885,596	99,387	0	2,425,990
Public Safety	6,417,213	0	67,437	126,053	0	357,212	6,967,915
Highway & Roads	1,880,241	0	0	51,179	0	1,383,302	3,314,722
Culture & Recreation	45,220	2,059,100	0	1,938	0	792,278	2,898,536
Miscellaneous	1,488,529	0	0	0	0	164,223	1,652,752
Debt Service							
Principal	0	0	0	37,014	1,226,075	0	1,263,089
Interest	0	0	0	4,479	205,590	0	210,069
Total Expenditures	11,272,210	2,059,100	67,437	1,106,259	1,531,052	2,697,015	18,733,073
Excess (Deficiency) of Revenues Over Expenditures	554,900	255,622	(55,495)	(65,759)	1,225,756	(60,489)	1,854,535
Other Financing Sources (Uses)							
Issuance of Refunding bonds	0	0	0	0	23,030,000	0	23,030,000
Payment to refund bond escrow agent	0	0	0	0	(24,199,190)	0	(24,199,190)
Operating transfers in	110,000	0	192,950	0		280,000	582,950
Operating transfers out	(165,000)	(110,000)	0	0		(307,950)	(582,950)
Total Other Financing Sources (Uses)	(55,000)	(110,000)	192,950	0	(1,169,190)	(27,950)	(1,169,190)
Net Change in Fund Balances	499,900	145,622	137,455	(65,759)	56,566	(88,439)	685,345
Fund Balance - Beginning	(138,816)	133,938	1,938,577	496,543	18,807	537,162	2,986,211
Fund Balance - Ending	361,084	279,560	2,076,032	430,784	75,373	448,723	3,671,556