

**NORTHAMPTON TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2016**



NORTHAMPTON TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2016

**TABLE OF CONTENTS**

Independent Auditors' Report	3-5
Management's Discussion and Analysis	6-18
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20-21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22-23
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	25-26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Park & Recreation	29
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Position - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	34
Notes to Financial Statements	35-69
Required Supplemental Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios - Police Pension Plan	71
Schedule of Contributions - Police Pension Plan	72
Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Uniform Pension Plan	73
Schedule of Contributions - Non-Uniform Pension Plan	74
Schedule of Funding Progress - Police OPEB Plan	75

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	76-78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	79-80
Combining Statement of Net Position - Fiduciary Funds	81
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Fiduciary Funds	82



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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Northampton Township

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northampton Township, Bucks County, Pennsylvania as of and for the year ended December 31, 2016, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents, and the related notes to the financial statements.

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

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 of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northampton Township, Bucks County, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the general and park and recreation funds, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1A, the financial statements referred to above include only the primary government of Northampton Township, Bucks County, Pennsylvania, as of December 31, 2016, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. These primary government financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of American require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of Northampton Township, Bucks County, Pennsylvania, as of December 31, 2016, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

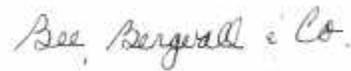
We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of Northampton Township, Bucks County, Pennsylvania, as of and for the year ended December 31, 2016, and our report thereon dated June 15, 2017, expressed an unmodified opinion on those financial statements.

### ***Other-Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical trend information on pages 6 through 18 and 71 through 75, respectively, 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 the Northampton Township, Bucks County, Pennsylvania's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

Warrington, PA  
June 30, 2017

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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, 2016. 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 \$194,328,323 (*net position*). Of this amount, -\$5,478,350 (*unrestricted net position*) represents a negative balance and may not be used to meet the Township's ongoing obligations to citizens and creditors. Additionally, \$3,031,818 (*restricted net position*) represents a positive balance and must be used to meet the Township's existing capital obligations (Public Safety \$1,533,896. Public Works \$438,207. Culture & Rec \$846,893. Debt Service \$212,822.).
- The Township's debt decreased by \$2,488,000 or 6.72% during the current fiscal year. Existing Long-Term Debt (Bonds) was reduced by \$1,925,000 (principal payments), and Short-Term Debt (Capital Leases/Loans) decreased by \$485,000 (also principal payments) in 2016.

*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 \$10,201,564, a decrease of \$3,385,925 (-24.9%) when compared to the prior year. A large part of this reduction is attributable to expenditures in the 2015 GOB Bond Fund. Long-Term portions of Long-Term liabilities (bonds) are not reported in Modified Accrual, however the additional revenues (cash received), and the additional expenditures associated with the new issue are reported, therefore resulting in major fluctuations in the Total Fund Balance (see Fund #15). The total combined fund balance or \$10,201,564 is available for spending, within the "assigned" restrictions of the various funds.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,866,369 or 12.2% of total general fund expenditures, \$15,220,118. This increase of \$478,732 represents a 35.0% Fund Balance increase for the year (in the General Fund). Although a deficit of -\$509,500 was budgeted, some windfalls pushed Total Revenues \$761,545 over budget, and prudent spending kept Total Expenses \$226,881 under budget.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

**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 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 as to whether the Township's financial position is improving or deteriorating. The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal 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 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*).

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

- General Government
- Code Enforcement
- Public Safety
- Sanitation
- Public Works
- Culture & Recreation
- Debt Service

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

**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 18 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 Fund, Capital Reserve Fund (Fire), Capital Reserve Fund (GF) GOB 2015, and Debt Service Fund, which are considered to be major funds.

Data from the other governmental funds (Capital Asset P & R, Treasury & Justice, Capital Road Equip, Capital Asset Library, Capital Asset Senior Center, Capital Asset Rescue, Ambulance, Fire, Library, Senior Center, Highway Aid, Senior Center Operating) are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 position 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 30-32 of this report.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds (Police Pension Fund and Non-Uniformed Pension Fund) 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 33 and 34 of this report.

**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 non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Northampton Township, assets exceeded liabilities by \$194,328,323 at the close of the most recent fiscal year. This represents a \$5,928,473 or 2.96% reduction from previous year. This change is mostly attributable to a depreciable reduction (\$9,050,375) in capital assets and a decrease in liabilities of \$2,410,097.

By far the most significant portion of the Township's net position 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, and net of accumulated depreciation, 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.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

**THE TOWNSHIP AS A WHOLE**

The following table reflects the condensed statement of net position:

**Table 1**  
**Statement of Net position - December 31, 2016**  
**(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 16,728	\$ 20,820	\$ 1,674	\$ 1,725	\$ 18,402	\$ 22,545
Capital assets	<u>215,986</u>	<u>219,814</u>	<u>-</u>	<u>-</u>	<u>215,986</u>	<u>219,814</u>
Total Assets	<u>232,714</u>	<u>240,634</u>	<u>1,674</u>	<u>1,725</u>	<u>234,388</u>	<u>242,359</u>
Long term liabilities	<u>34,559</u>	<u>37,047</u>	<u>-</u>	<u>-</u>	<u>34,559</u>	<u>37,047</u>
Other liabilities	<u>3,827</u>	<u>3,331</u>	<u>285</u>	<u>309</u>	<u>4,112</u>	<u>3,640</u>
Total Liabilities	<u>38,386</u>	<u>40,378</u>	<u>285</u>	<u>309</u>	<u>38,671</u>	<u>40,687</u>
Net Position						
Invested in capital assets, net of debt	196,775	201,562	-	-	196,775	201,562
Restricted	3,031	3,122	1,389	1,416	4,420	4,538
Unrestricted	<u>(5,478)</u>	<u>(4,428)</u>	<u>-</u>	<u>-</u>	<u>(5,478)</u>	<u>(4,428)</u>
Total Net Position	<u>\$ 194,328</u>	<u>\$ 200,256</u>	<u>\$ 1,389</u>	<u>\$ 1,416</u>	<u>\$ 195,717</u>	<u>\$ 201,672</u>

An additional portion of the Township's net position (\$3,031,000) (1.56%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (-\$5,478,000) (-2.82%) shows a negative balance and a result of new GASB reporting issues, require net pension liability to be reflected in year-end financials. GASB allows the financial statement reader to consider short-term and long-term analysis. At the end of the current fiscal year, the Township is able to report positive balances in two of the three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The Township's net position decreased by \$5,928,000 during the current fiscal year as discussed below. This decrease was primarily due to depreciation affecting the value of net capital assets.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

A comparison of 2016 vs. 2015 shows Total Operating Expenses (Governmental and Business-Type Activities) reduced by -\$2,713,000 or -8.07%. Increases in Public Safety and Sanitation, were off-set by reductions in the other sectors (Gen Govt, Code, Public Works, Culture & Rec, and Debt Service).

**Table 2**  
**Changes in Net position - 2016**  
**(in thousands)**

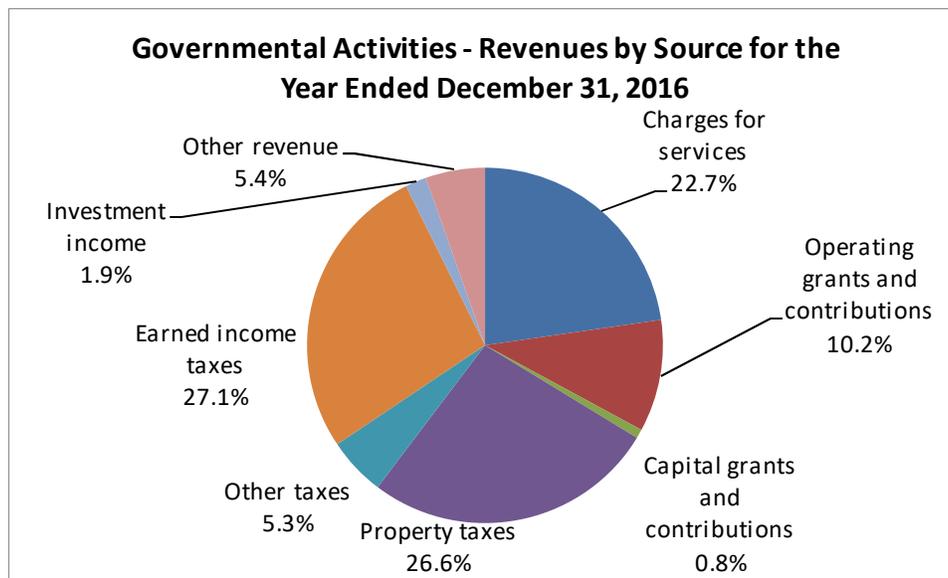
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,919	\$ 2,495	\$ 3,449	\$ 3,343	\$ 6,368	\$ 5,838
Operating grants and contributions	2,470	2,144	380	575	2,850	2,719
Capital grants and contributions	210	7	-	-	210	7
General revenues:						
Property taxes	7,464	7,464	-	-	7,464	7,464
Other taxes	9,099	8,958	-	-	9,099	8,958
Grants and contributions not restricted to specific programs	6	15	-	-	6	15
Investment income	518	165	6	2	524	167
Miscellaneous	1,489	2,295	-	-	1,489	2,295
Gain on sale of capital assets	15	239	-	-	15	239
Total Revenues	<u>24,190</u>	<u>23,782</u>	<u>3,835</u>	<u>3,920</u>	<u>28,025</u>	<u>27,702</u>
<b>EXPENSES</b>						
General government	3,438	4,156	-	-	3,438	4,156
Code enforcement	671	673	-	-	671	673
Public safety	9,656	8,743	-	-	9,656	8,743
Sanitation	-	-	3,844	3,558	3,844	3,558
Public works	11,831	12,218	18	28	11,849	12,246
Culture and recreation	3,900	5,113	-	-	3,900	5,113
Debt service	622	1,149	-	-	622	1,149
Total Expenses	<u>30,118</u>	<u>32,052</u>	<u>3,862</u>	<u>3,586</u>	<u>33,980</u>	<u>35,638</u>
Change in Net Position	(5,928)	(8,270)	(27)	334	(5,955)	(7,936)
Net Position - Beginning	<u>200,256</u>	<u>208,526</u>	<u>1,416</u>	<u>1,082</u>	<u>201,672</u>	<u>209,608</u>
Net Position - Ending	<u>\$ 194,328</u>	<u>\$ 200,256</u>	<u>\$ 1,389</u>	<u>\$ 1,416</u>	<u>\$ 195,717</u>	<u>\$ 201,672</u>

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

For the fiscal year ended December 31, 2016, revenues for governmental and business-type activities totaled \$28.03 million, an increase of \$323,000 over 2015. This increase reflects an increase in Charges for Services, Operating Grants, Capital Grants, Other Taxes, and Investment Income. Some reductions are reflected in Misc. Revenue and Sale of Assets. Sources of revenue for the fiscal year 2016 are comprised of the following items:



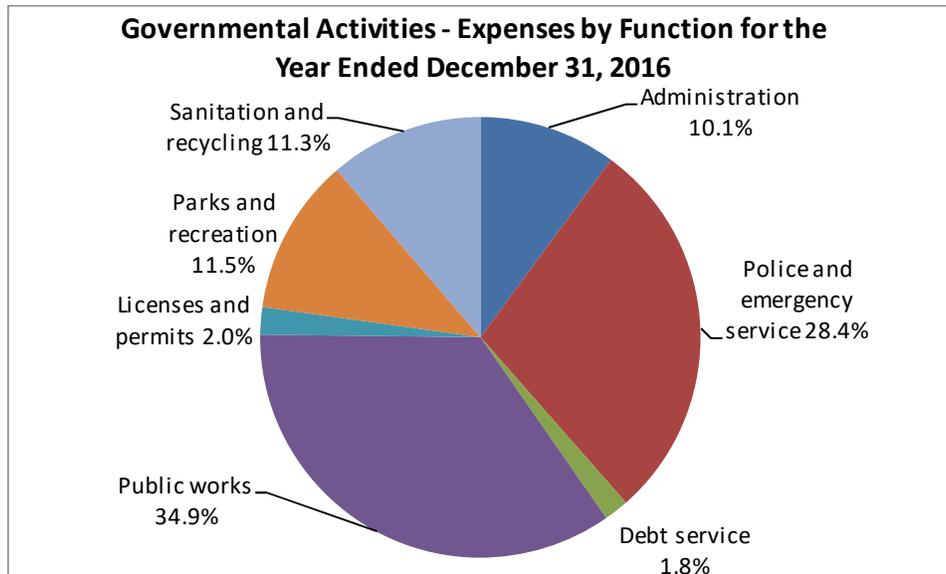
“Charges for Services” remain a significant revenue source for the Township at \$6.37 million (22.7% of total revenues). The Parks and Recreation Fund rely most heavily on this revenue source, where it contributes 64.8% towards this Fund’s revenues. Although no tax increase in 2016, Real Estate taxes remain a larger part (\$7.5 million) and larger share (26.6%) of total revenues (\$28.03 million) with a total assessment of \$583 million. The Township’s 2<sup>nd</sup> largest revenue source, the earned income taxes, totaled \$7.6 million (27.1%). Other taxes consisted of property transfer tax generated \$1.07 million, per capita taxes generated \$.032 million, and local service tax generated \$.398 million. Other sources of general revenues include Grants (\$3.07 million), investment income (\$.524 million), other income (\$1.489 million) and Gain on Sale of Assets (\$.015 million).

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

For the 2016 fiscal year, expenses for government and business-type activities totaled \$33.98 million, a reduction of \$2.983 million (8.1%) under 2015 expenses.



As the chart above indicates, the largest program expense is for public works activities at \$11.85 million (34.9% of total expenses). Police and emergency services activity is the Township's second largest program with expenses of \$9.7 million (28.4%). Culture & Recreation, Sanitation, and Gen Govt are a close third with \$3.90 million, \$3.84 million and \$3.44 million, respectively. Lastly, but still substantial are Code Enforcement and Debt Service.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities and business-type in fiscal 2016, revenues and net transfers (\$28,025,000) were exceeded by expenses (\$33,980,000) by -\$5,955,000 resulting in a decrease in net position by that amount. The year ended with total Net position of \$195,717,000.

**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, *Restricted, Assigned, and Unassigned Fund Balances* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year. However, the *Restricted* and the *Assigned* are ear-marked for specific purposes.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$10,201,564, a decrease of -\$3,385,925 or (-24.9%) in comparison with the prior year. This fund balance constitutes a Restricted Fund balance of \$7,932,350, an Assigned Fund Balance of \$468,889, and an Unassigned Fund Balance of \$1,800,325, 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, unassigned fund balance of the general fund was \$1,866,369. Unreserved fund balance represents 11.96% of total general fund expenditures.

The fund balance of the Township's General Fund increased by \$478,732 during the current fiscal year. The fund balance of the Park & Recreation Operating Fund increased by \$181,740. The fund balance of the Capital Asset Fire Fund decreased by \$565,454. The fund balance of the Capital Reserve Fund decreased by \$210,657. The fund balance of the GOB Bond Fund decreased by \$3,480,916 due to on-going capital project expenditures. The fund balance of the GOB Debt Service Fund increased by \$65,654. The fund balances of the remaining non-major funds increased by \$144,976. Overall, the fund balances of all the funds decreased by \$3,385,925. This substantial reduction is mostly attributable to the 2016 expenditures for the various capital projects related to the 2015 Bond Fund. The removal of this particular fund from the mix will show an overall fund balance increase of \$94,991 or a 1.82% increase.

**General Fund Budget Highlights**

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

General Fund Total Revenues experienced a windfall of additional amounts during the year to push the year-end total above the budget by \$676,350. The drivers behind this increase (over budget) include: (Other) W/C reimbursement from W/C Insurance = +\$170,597, (Charges for Services) Plan Review Fees = +\$113,800, (Intergovernmental Revenues) Pension State Aid = +\$101,189, (Intergovernmental Revenues) Live Scan (restricted) = +\$76,416, (Interest & Rents) Cell Tower Leases = +\$53,585, (Charges for Services) Building Permits = +\$39,279, (Charges for Services) Mechanical System Permits = +\$38,290, (Taxes) Local Service Tax = +\$32,759, (Taxes) Per Capita Tax = +\$31,838, (Taxes) Earned Income Tax = +\$29,919, (Charges for Services) Zoning Permits = +\$27,710, (Charges for Services) Escrow Administration Fees = +\$23,087. Total Revenues were budgeted to increase by 1.2% over the 2015 budget. Total Revenues came in 6.3% over the 2015 budget.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

General Fund Expenditures were lower than the budgeted amounts by \$236,000 as a result of management's continued efforts to control costs, and postpone expenses where possible. Although expenses were budgeted at 1.2% over the 2015 budget, some savings were realized as actuals came in at -0.56% under the 2015 budget. Expenses that contributed to the savings: (Public Safety) Police Medical Insurance = -\$187,485, (Highways & Roads) Gas & Diesel = -\$120,835, (Highways & Roads) P/W Wages = -\$33,678, (Highways & Roads) Fleet Maintenance = -\$27,358, (Public Safety) Police O/T Wages = -\$23,855, (Public Safety) Fuel for Fire & Ambulance = -\$41,217, (Gen Govt) Planning Commission Professional Services = -\$20,043, (Gen Govt) Prop & Liability Insurance = -\$18,178, (Public Safety) Med Insurance = -\$18,075, Gen Govt) Postage = -\$15,894, (Public Safety) FICA Police = -\$15,419.

Expenses that exceeded their budgets in 2016: (Gen Govt) Special Legal Services = +\$132,167, (Public Safety) Contracted Services for Plowing = +\$82,943, (Gen Govt) Traffic Engineering = +\$47,886, (Gen Govt) Contracted Services for Building & Grounds = +\$38,681, (Gen Govt) Repairs & Maintenance for Buildings & Grounds = +\$33,383, (Gen Govt) Health Ins Waivers = +\$31,841, (Gen Govt) General Legal = +\$20,176, (Gen Govt) Zoning Board Professional Services = +\$17,656, (Highways & Roads) Storm Water Engineering = +\$16,294.

A schedule showing the Township's original and final budget amount compared with amounts actually paid and received is provided on page 28.

**Park & Recreation Fund Budget Highlights**

Although the Park & Rec Fund budgeted a slight decrease (-.4%) in revenues from the previous 2015 budget, actual total revenues for 2016 were able to surpass the 2015 budget and the 2016 budget by \$11,745 and \$22,745, respectively.

In addition, Total Expenses were under budget by \$148,295 or -6%. Items worth mentioning: Health Insurance - \$65,135 under budget, Ticket Purchases - \$21,383 under budget, Salaries and Wages - \$17,528 under budget, and Utilities - \$13,764 under budget.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 29.

**Capital Asset and Debt Administration Capital Assets**

The Township's investment in capital assets for its governmental type activities as of December 31, 2016, amounts to \$215,986,292 (*net of accumulated depreciation \$110,954*). This investment in capital assets includes: land, buildings and system improvements, machinery and equipment, park facilities, infrastructure, etc. The total increase (\$5,212,000) in the Township's investment in capital assets for the current fiscal year was entirely off-set by an increase (\$9,041,000) in accumulated depreciation, resulting in a net reduction in Capital Assets of \$3,829,000.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

**Table 3**  
**Changes in Capital Assets - Governmental Funds**  
**(in thousands)**

	<u>Balance</u> <u>January 1, 2016</u>	<u>Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>December 31, 2016</u>
<b>Non-Depreciable Assets</b>			
Land	\$ 20	\$ -	\$ 20
<b>Other Capital Assets</b>			
Machinery, vehicles and equipment	6,581	1,303	7,884
Land improvements	3,905	329	4,234
Buildings and improvements	17,121	348	17,469
Library	80	-	80
Infrastructure	294,021	3,232	297,253
Accumulated depreciation on capital assets	<u>(101,913)</u>	<u>(9,041)</u>	<u>(110,954)</u>
<b>Totals</b>	<u>\$ 219,815</u>	<u>\$ (3,829)</u>	<u>\$ 215,986</u>

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

This year's major capital improvements/additions include:

Land Improvements	\$ 328,532
Building Improvements	348,185
Machinery and Equipment	1,329,789
Library	-
Infrastructure	3,232,222

**Long-term Debt**

At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$23,225,000. Of this amount, \$23,225,000 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). The Township entered 2016 with total O/S debt of \$25,150,000. After making principal payments (\$1,925,000) in 2016, the O/S debt balance at year-end is \$23,225,000.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Average Interest Rate</u>	<u>Final Maturity</u>	<u>Balance January 1, 2016</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Balance December 31, 2016</u>
2010	\$ 16,410,000	variable - 3.02%	2021	\$ 8,890,000	\$ 1,325,000	\$ 312,725	\$ 7,565,000
2015A	3,050,000	variable - 2.75%	2022	3,050,000	600,000	49,870	2,450,000
2015B	2,255,000	5.00%	2023	2,255,000	-	110,500	2,255,000
2015	10,955,000	variable - 5.00%	2035	10,955,000	-	-	10,955,000
				<u>\$ 25,150,000</u>	<u>\$ 1,925,000</u>	<u>\$ 473,095</u>	<u>\$ 23,225,000</u>

**Economic Factors and Next Year's Budgets and Rates**

Our tax increase for FY 2014 had one goal: To maintain appropriate Y/E Fund Balances for the major funds for a period of 3 years. The +1.785 mill or 16% increase over the 2013 tax rate successfully carried most major funds through to the end of 2016. Most importantly, it maintained "appropriate fund balances" in the General Fund, in spite of the fact that this fund budgets an annual deficit between \$400,000-\$600,000. 2014 began with a fund balance of \$2,049,902 and 2016 ended with a fund balance of \$1,866,369.

Although this 3-year plan assumed a subsequent tax increase for FY 2017, it was averted by \$761,349 of additional revenues (over budget) and \$226,882 of reduced expenses (under budget) in 2016. A combination of "positive economic conditions" and some windfall situations made 2016 a banner year. Noteworthy revenues are: Earned Income Tax was \$29,919 over budget. Local Service Tax was \$32,759 over budget. Administrative Fees for development was \$23,087 over budget. R. E. Transfer Tax was \$11,246 over budget. Zoning fees and permits were \$35,110 over budget. An expansion project in our school district created an additional \$191,369 in fees and permits. Residual revenues from delinquent years of Per Cap tax was \$31,838 over budget. Cell Tower Rent was \$50,000 over budget for an early contract renewal. The Transfer from the Highway Aid Fund was \$85,000 over budget. State Aid for our employee pension plan was \$101,189 over budget. Lastly, reimbursements from our W/C insurance for wages paid to injured employees was \$170,349 over budget. Although this item is a revenue, it is a bitter-sweet reminder that our experience modification will probably increase due to increased injuries, therefore increasing policy costs in the subsequent years.

On the expense side, changes to our health insurance created a savings of \$220,128. Motor Fuels were \$162,052 under budget. Public Works Wages were \$33,678 under budget. Fleet Maintenance was \$27,358 under budget. Police Over/Time was \$23,855 under budget. Overall, the budgeted deficit of -\$509,000 for the General Fund for 2016, turned into a healthy surplus of +\$478,732. The 2016 Y/E fund balance came in at \$1,866,367. Therefore, no tax increase needed for 2017. Whether the reasons are economic or sporadic in nature, FY 2016's bottom line put us in the favorable position to avoid a tax increase.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

According to the 2017 Budget, most funds were able to “survive” the 2017 year without the anticipated tax increase. However going forward, to ensure the financial health of the General Fund and these smaller funds, a tax increase is scheduled for FY 2018. By maintaining an appropriate fund balance (8% to 12% of expenses) the Township can be in a better position to fund much needed capital projects, pay down debt, pave more roads, support other struggling Township Funds, or just remain prepared for any unforeseen future financial calamities. Realistically, this position of financial strength is a result of tight budgeting on the expense side, conservative estimating on the revenue side, and an occasional tax increase when necessary.

The on-going economic recovery has definitely played a major part in establishing this position of financial strength/stability. The annual windfalls of economic-related revenue items in the General Fund, over and above the budgeted revenues have been accumulating in the fund balance, and will sufficiently fund increases on the expense side until FY 2018. This is true for most of the larger funds as well---especially the Capital Funds. The speed of this economic recovery has been beneficial in the form of lower inflation and subsequent interest rates. Since we borrow for most capital items annually, the Capital Funds are seriously affected by interest rates.

Unfortunately, our recent attractive cash positions (due to higher fund balances) cannot produce attractive interest income. Short term interest rates are extremely low, even though they are twice last year’s rates. A snap-shot of TOTAL CASH at year-end 2016 reflected an amount that was \$735,356 under 2015, \$757,533 under 2014, \$229,687 under 2013, \$1,062,166 over 2012, and 151,245 under 2011. Nothing alarming here - just as fund balances go, so do cash balances. Our attractive cash position has again eliminated the need for a Tax Anticipation Note in recent years. Although interest rates are historically low, we are saving dollars by not borrowing for operating cash, and are able to provide a more attractive financial picture of the Township for bond-rating agencies.

Although the General Fund has reached financial stability, future tax increases (as suggested for 2018) will be necessary to support other struggling Township Funds. The Capital Reserve Fund, the Road Equipment Fund, and other Capital Funds will again need additional tax dollars in 2018 and beyond.

**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

STATEMENT OF NET POSITION

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 9,109,399	\$ 1,220,129	\$ 10,329,528
Taxes receivable	4,812,058	95,701	4,907,759
Accounts receivable	504,752	358,852	863,604
Installment note receivable	189,617	-	189,617
Restricted assets:			
Cash and cash equivalents	297,662	-	297,662
Land	20,000	-	20,000
Other capital assets (net of accumulated depreciation)	215,966,292	-	215,966,292
Total Assets	230,899,780	1,674,682	232,574,462
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Net difference between projected and actual earnings on pension plan investments	1,814,853	-	1,814,853
Total deferred outflows of resources	1,814,853	-	1,814,853
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	983,970	285,124	1,269,094
Interest payable	85,243	-	85,243
Escrow deposits	297,662	-	297,662
Non-current liabilities:			
Due within one year	2,460,291	-	2,460,291
Due after one year	34,559,144	-	34,559,144
Total Liabilities	38,386,310	285,124	38,671,434
<b><u>NET POSITION</u></b>			
Net investment in capital assets	196,774,855	-	196,774,855
Restricted for:			
Public safety	1,533,896	-	1,533,896
Public works	438,207	1,389,558	1,827,765
Culture and recreation	846,893	-	846,893
Debt service	212,822	-	212,822
Unrestricted	(5,478,350)	-	(5,478,350)
Total Net Position	\$ 194,328,323	\$ 1,389,558	\$ 195,717,881

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General Government	\$ 3,437,778	\$ 53,160	\$ 345,654	\$ -
Code Enforcement	671,692	935,723	-	-
Public Safety	9,655,529	281,073	668,718	-
Public Works	11,831,323	-	1,267,289	210,154
Culture and Recreation	3,899,965	1,649,507	188,693	-
Debt Service	621,705	-	-	-
Total Government Activities	<u>30,117,992</u>	<u>2,919,463</u>	<u>2,470,354</u>	<u>210,154</u>
Business -Type Activities				
Refuse	3,844,688	3,417,987	379,889	-
Street Light	17,638	31,261	-	-
Total Business-Type Activities	<u>3,862,326</u>	<u>3,449,248</u>	<u>379,889</u>	<u>-</u>
Total Primary Government	<u>33,980,318</u>	<u>6,368,711</u>	<u>2,850,243</u>	<u>210,154</u>
General Revenues				
Taxes:				
Real Estate				
Transfer				
Earned Income Tax				
Local Service Tax				
Per Capita Tax				
Grants and Contributions not Restricted to Specific Programs				
Investment Earnings and Rents				
Gain on Sale of Capital Assets				
Miscellaneous				
Transfers				
Total General Revenues				
Change in Net Position				
Net Position - Beginning (restated)				
Net Position - Ending				

Net (Expense) Revenue and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,038,964)	\$ -	\$ (3,038,964)
264,031	-	264,031
(8,705,738)	-	(8,705,738)
(10,353,880)	-	(10,353,880)
(2,061,765)	-	(2,061,765)
(621,705)	-	(621,705)
<u>(24,518,021)</u>	<u>-</u>	<u>(24,518,021)</u>
-	(46,812)	(46,812)
-	13,623	13,623
<u>-</u>	<u>(33,189)</u>	<u>(33,189)</u>
<u>(24,518,021)</u>	<u>(33,189)</u>	<u>(24,551,210)</u>
7,463,536	-	7,463,536
1,066,246	-	1,066,246
7,602,221	-	7,602,221
397,759	-	397,759
31,838	-	31,838
5,612	-	5,612
518,242	5,953	524,195
15,241	-	15,241
1,488,853	-	1,488,853
<u>-</u>	<u>-</u>	<u>-</u>
<u>18,589,548</u>	<u>5,953</u>	<u>18,595,501</u>
(5,928,473)	(27,236)	(5,955,709)
<u>200,256,796</u>	<u>1,416,794</u>	<u>201,673,590</u>
<u>\$ 194,328,323</u>	<u>\$ 1,389,558</u>	<u>\$ 195,717,881</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2016

	<u>General</u>	<u>Park &amp; Recreation</u>	<u>Capital Asset Fire</u>	<u>Capital Reserve</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 382,621	\$ 306,090	\$ 1,473,117	\$ 274,373
Taxes receivable	1,689,117	14,109	-	-
Accounts receivable	502,475	2,277	-	-
Installment note receivable	189,617	-	-	-
Due from other funds	-	-	-	-
Total Current Assets	<u>2,763,830</u>	<u>322,476</u>	<u>1,473,117</u>	<u>274,373</u>
Restricted Assets				
Cash and cash equivalents	<u>297,662</u>	-	-	-
Total Restricted Assets	<u>297,662</u>	-	-	-
 TOTAL ASSETS	 <u>\$ 3,061,492</u>	 <u>\$ 322,476</u>	 <u>\$ 1,473,117</u>	 <u>\$ 274,373</u>
 <u>LIABILITIES</u>				
Liabilities				
Accounts payable and accrued wages	\$ 660,167	\$ 20,904	\$ 54,800	\$ 1,881
Escrow deposits payable	297,662	-	-	-
Due to other funds	<u>11,086</u>	-	-	-
Total Liabilities	<u>968,915</u>	<u>20,904</u>	<u>54,800</u>	<u>1,881</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	36,591	14,122	-	-
Unavailable revenue- grant match funds	-	-	-	52,800
Unavailable revenue - notes receivable	<u>189,617</u>	-	-	-
Total Deferred Inflows of Resources	<u>226,208</u>	<u>14,122</u>	<u>-</u>	<u>52,800</u>
 <u>FUND BALANCES</u>				
Restricted for				
Public safety	66,044	-	1,418,317	-
Public works	-	-	-	-
Culture and recreation	-	287,450	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned for				
Capital projects	-	-	-	219,692
Culture and recreation	-	-	-	-
Unassigned	<u>1,800,325</u>	-	-	-
Total Fund Balances	<u>1,866,369</u>	<u>287,450</u>	<u>1,418,317</u>	<u>219,692</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,061,492</u>	 <u>\$ 322,476</u>	 <u>\$ 1,473,117</u>	 <u>\$ 274,373</u>

<u>GOB Fund</u>	<u>GOB Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,097,268	\$ 211,857	\$ 1,364,073	\$ 9,109,399
-	40,477	29,555	1,773,258
-	-	-	504,752
-	-	-	189,617
11,086	-	-	11,086
<u>5,108,354</u>	<u>252,334</u>	<u>1,393,628</u>	<u>11,588,112</u>
-	-	-	297,662
-	-	-	297,662
<u>\$ 5,108,354</u>	<u>\$ 252,334</u>	<u>\$ 1,393,628</u>	<u>\$ 11,885,774</u>
\$ 207,822	\$ -	\$ 38,396	\$ 983,970
-	-	-	297,662
-	-	-	11,086
<u>207,822</u>	<u>-</u>	<u>38,396</u>	<u>1,292,718</u>
-	39,512	28,850	119,075
-	-	30,000	82,800
-	-	-	189,617
-	<u>39,512</u>	<u>58,850</u>	<u>391,492</u>
-	-	49,535	1,533,896
-	-	438,207	438,207
-	-	559,443	846,893
-	212,822	-	212,822
4,900,532	-	-	4,900,532
-	-	-	219,692
-	-	249,197	249,197
-	-	-	1,800,325
<u>4,900,532</u>	<u>212,822</u>	<u>1,296,382</u>	<u>10,201,564</u>
<u>\$ 5,108,354</u>	<u>\$ 252,334</u>	<u>\$ 1,393,628</u>	<u>\$ 11,885,774</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

For the Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of net position (page 19) are different because:			
Total fund balances--total governmental funds (page 22-23).		\$	10,201,564
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.			
	Cost of capital assets	\$	326,939,031
	Accumulated depreciation	<u>(110,952,739)</u>	215,986,292
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			3,038,800
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.			201,875
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
	Net difference between projected and actual earnings on pension plan investments	<u>1,814,853</u>	1,814,853
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
	Bonds and notes payable	(22,716,479)	
	Capital leases payable	(1,592,226)	
	Interest payable	(85,243)	
	Deferred loans	189,617	
	Net pension liability	(8,647,972)	
	Net post-employment benefits obligation	(1,699,869)	
	Compensated absences	<u>(2,362,889)</u>	<u>(36,915,061)</u>
Net Position of governmental activities (page 19).		\$	<u><u>194,328,323</u></u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Park &amp; Recreation</u>	<u>Capital Asset Fire</u>	<u>Capital Reserve</u>
Revenues				
Taxes:				
Real estate	\$ 2,298,209	\$ 864,361	\$ -	\$ -
Transfer	1,066,246	-	-	-
Earned income tax	7,585,021	-	-	-
Local service tax	397,759	-	-	-
Per Capita	31,838	-	-	-
Fees, licenses and permits	1,015,258	-	-	-
Investment income and rent	410,356	51,980	7,274	1,132
Intergovernmental revenues	1,017,559	-	-	2,004
Fines and forfeitures	62,112	-	-	-
Charges for services	1,195,219	1,567,215	-	-
Other	447,773	11,189	-	41,472
Total Revenues	<u>15,527,350</u>	<u>2,494,745</u>	<u>7,274</u>	<u>44,608</u>
Expenditures				
Current:				
General government	1,891,489	-	-	155,670
Public safety	8,128,658	-	872,728	394,896
Highways and roads	2,303,032	-	-	178,741
Culture and recreation	51,356	2,313,005	-	-
Miscellaneous	2,312,369	-	-	-
Debt service:				
Principal	7,395	-	-	214,177
Interest	1,819	-	-	10,049
Total Expenditures	<u>14,696,118</u>	<u>2,313,005</u>	<u>872,728</u>	<u>953,533</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>831,232</u>	<u>181,740</u>	<u>(865,454)</u>	<u>(908,925)</u>
Other Financing Sources (Uses)				
Debt issuance	-	-	-	401,268
Transfers in	171,500	-	300,000	297,000
Transfers out	(524,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(352,500)</u>	<u>-</u>	<u>300,000</u>	<u>698,268</u>
Net Change in Fund Balances	478,732	181,740	(565,454)	(210,657)
Fund Balance - Beginning	<u>1,387,637</u>	<u>105,710</u>	<u>1,983,771</u>	<u>430,349</u>
Fund Balance - Ending	<u>\$ 1,866,369</u>	<u>\$ 287,450</u>	<u>\$ 1,418,317</u>	<u>\$ 219,692</u>

<u>GOB Fund</u>	<u>GOB Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,479,984	\$ 1,836,401	\$ 7,478,955
-	-	-	1,066,246
-	-	-	7,585,021
-	-	-	397,759
-	-	-	31,838
-	-	-	1,015,258
18,617	784	29,126	519,269
-	-	1,483,654	2,503,217
-	-	-	62,112
-	-	120,198	2,882,632
-	-	63,562	563,996
<u>18,617</u>	<u>2,480,768</u>	<u>3,532,941</u>	<u>24,106,303</u>
-	18,332	-	2,065,491
-	-	373,600	9,769,882
3,624,533	-	937,387	7,043,693
-	-	1,273,830	3,638,191
-	-	320,243	2,632,612
-	1,925,000	263,525	2,410,097
-	471,782	17,848	501,498
<u>3,624,533</u>	<u>2,415,114</u>	<u>3,186,433</u>	<u>28,061,464</u>
<u>(3,605,916)</u>	<u>65,654</u>	<u>346,508</u>	<u>(3,955,161)</u>
-	-	167,968	569,236
125,000	-	228,500	1,122,000
-	-	(598,000)	(1,122,000)
<u>125,000</u>	<u>-</u>	<u>(201,532)</u>	<u>569,236</u>
(3,480,916)	65,654	144,976	(3,385,925)
<u>8,381,448</u>	<u>147,168</u>	<u>1,151,406</u>	<u>13,587,489</u>
<u>\$ 4,900,532</u>	<u>\$ 212,822</u>	<u>\$ 1,296,382</u>	<u>\$ 10,201,564</u>

The notes to the financial statements are an integral part of this statement

NORTHAMPTON TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

Changes in Net Position

Amounts reported for governmental activities in the statement of activities (page 20-21)  
are different because:

Net change in fund balances--total governmental funds (page 25-26). \$ (3,385,925)

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.

Capital outlay	\$ 5,238,728	
Depreciation expense	<u>(9,050,375)</u>	(3,811,647)

The effect of sales of capital assets is to decrease net position. (16,231)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. 99,445

Bond issuance cost is recorded as an expenditure in the fund statements but  
recorded as an asset and amortized over the life of the bond in the statement  
of net position. This is the amount by which the bond issuance costs exceed  
amortization for the period. 6,742

The issuance of long-term debt (e.g. bonds, 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.

Debt issuance	(569,235)	
Capital leases	485,097	
Interest payable	(246,988)	
Repayment of debt	<u>1,925,000</u>	1,593,874

Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as expenditures  
in governmental funds.

Net pension liability and deferred items	(295,657)	
Compensated absences	58,922	
Net OPEB Liability	<u>(177,996)</u>	<u>(414,731)</u>

Change in net position of governmental activities (pages 20-21). \$ (5,928,473)

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes:				
Real estate	\$ 2,286,500	\$ 2,286,500	\$ 2,298,209	\$ 11,709
Transfer	1,055,000	1,055,000	1,066,246	11,246
Earned income tax	7,554,000	7,554,000	7,585,021	31,021
Local service tax	365,000	365,000	397,759	32,759
Per Capita	-	-	31,838	31,838
Fees, licenses and permits	1,020,500	1,020,500	1,015,258	(5,242)
Interest and rent	356,500	356,500	410,356	53,856
Intergovernmental revenues	926,500	926,500	1,017,559	91,059
Fines and forfeitures	68,000	68,000	62,112	(5,888)
Charges for services	901,000	901,000	1,195,219	294,219
Other	318,000	318,000	447,773	129,773
Total Revenues	14,851,000	14,851,000	15,527,350	676,350
Expenditures				
Current:				
General government	1,664,500	1,664,500	1,891,489	226,989
Public safety	8,432,500	8,432,500	8,128,658	(303,842)
Highways and roads	2,474,500	2,474,500	2,303,032	(171,468)
Culture and recreation	48,200	48,200	51,356	3,156
Debt service	-	-	9,214	9,214
Miscellaneous	2,303,300	2,303,300	2,312,369	9,069
Total Expenditures	14,923,000	14,923,000	14,696,118	(226,882)
Excess (Deficiency) of Revenues Over Expenditures	(72,000)	(72,000)	831,232	903,232
Other Financing Sources (Uses)				
Transfers in	86,500	86,500	171,500	85,000
Transfers out	(524,000)	(524,000)	(524,000)	-
Total Other Financing Sources (Uses)	(437,500)	(437,500)	(352,500)	85,000
Net Change in Fund Balances	(509,500)	(509,500)	478,732	\$ 988,232
Fund Balance, Beginning of Year	509,500	509,500	1,387,637	
Fund Balance, End of Year	\$ -	\$ -	\$ 1,866,369	

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - PARK & RECREATION

For the Year Ended December 31, 2016

	PARK & RECREATION FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes	\$ 852,500	\$ 852,500	\$ 864,361	\$ 11,861
Interest and rent	48,500	48,500	51,980	3,480
Charges for services	1,557,500	1,557,500	1,567,215	9,715
Other	13,500	13,500	11,189	(2,311)
Total Revenues	2,472,000	2,472,000	2,494,745	22,745
Expenditures				
Current:				
Culture and recreation	2,461,300	2,461,300	2,313,005	(148,295)
Total Expenditures	2,461,300	2,461,300	2,313,005	(148,295)
Excess (Deficiency) of Revenues Over Expenditures	10,700	10,700	181,740	171,040
Net Change in Fund Balances	10,700	10,700	181,740	\$ 171,040
Fund Balance, Beginning of Year	105,710	105,710	105,710	
Fund Balance, End of Year	\$ 116,410	\$ 116,410	\$ 287,450	

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2016

	<u>Business-type Activities</u>		
	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and Temporary Investments	\$ 1,220,129	\$ -	\$ 1,220,129
Taxes Receivable	95,701	-	95,701
Accounts Receivable	352,990	5,862	358,852
Total Current Assets	<u>\$ 1,668,820</u>	<u>\$ 5,862</u>	<u>\$ 1,674,682</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 276,993	\$ 6,043	\$ 283,036
Accrued Wages	1,844	244	2,088
Total Current Liabilities	<u>278,837</u>	<u>6,287</u>	<u>285,124</u>
<u>NET POSITION</u>			
Unrestricted	<u>1,389,983</u>	<u>(425)</u>	<u>1,389,558</u>
Total Net Position	<u>\$ 1,389,983</u>	<u>\$ (425)</u>	<u>\$ 1,389,558</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities		
	Refuse	Street Light	Total
Operating Revenues			
Charges for Services	\$ 3,417,987	\$ 31,261	\$ 3,449,248
Total Operating Revenues	3,417,987	31,261	3,449,248
Operating Expenses			
Solid Waste Collection and Disposal	3,844,688	-	3,844,688
Street Light Repairs	-	17,638	17,638
Total Operating Expenses	3,844,688	17,638	3,862,326
Operating Income (Loss)	(426,701)	13,623	(413,078)
Nonoperating Revenues (Expense)			
Intergovernmental Revenue	379,889	-	379,889
Net Earnings on Investments	5,953	-	5,953
Total Nonoperating Revenues (Expenses)	385,842	-	385,842
Change in Net Position	(40,859)	13,623	(27,236)
Net Position - Beginning	1,430,842	(14,048)	1,416,794
Net Position - Ending	\$ 1,389,983	\$ (425)	\$ 1,389,558

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	<u>Business-type Activities</u>		
	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 3,343,473	\$ 34,611	\$ 3,378,084
Cash paid to employees for services	(90,815)	(8,320)	(99,135)
Cash paid to suppliers for goods and services	<u>(3,759,589)</u>	<u>(26,291)</u>	<u>(3,785,880)</u>
Net cash provided by (used in) operating activities	<u>(506,931)</u>	<u>-</u>	<u>(506,931)</u>
Cash flows from non-capital financing activities			
Intergovernmental revenues	<u>379,889</u>	<u>-</u>	<u>379,889</u>
Net cash provided by (used in) non-capital financing activities	<u>379,889</u>	<u>-</u>	<u>379,889</u>
Cash flows from investing activities			
Interest and dividends on investments	<u>5,953</u>	<u>-</u>	<u>5,953</u>
Net cash provided by (used in) investing activities	<u>5,953</u>	<u>-</u>	<u>5,953</u>
Net increase (decrease) in cash and cash equivalents	(121,089)	-	(121,089)
Beginning cash and cash equivalents	<u>1,341,218</u>	<u>-</u>	<u>1,341,218</u>
Ending cash and cash equivalents	<u>\$ 1,220,129</u>	<u>\$ -</u>	<u>\$ 1,220,129</u>
<b>Reconciliation of Net Operating Income (Loss)</b> <b>to Net Cash Provided By (Used in) Operating Activities</b>			
Net operating income (loss)	<u>\$ (426,701)</u>	<u>\$ 13,623</u>	<u>\$ (413,078)</u>
Adjustments to reconcile net operating income (loss)			
to net cash provided by (used in) operating activities:			
Changes in assets and liabilities			
(Increase) decrease in receivables	(74,514)	3,350	(71,164)
Increase (decrease) in accounts payable	(6,737)	6,043	(694)
Increase (decrease) accrued wages	1,021	(172)	849
Increase in due to/from other funds	<u>-</u>	<u>(22,844)</u>	<u>(22,844)</u>
Net adjustments	<u>(80,230)</u>	<u>(13,623)</u>	<u>(93,853)</u>
Cash provided by (used in) operating activities	<u>\$ (506,931)</u>	<u>\$ -</u>	<u>\$ (506,931)</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

December 31, 2016

	<u>Pension Trust Funds</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 1,122,493
Investments	
Money market	223,257
Mutual funds	211,575
Bond and bond funds	6,989,224
Treasury notes	3,196,548
Equities and stock funds	7,881,152
Exchange traded products	<u>11,953,275</u>
Total Investments	<u>30,455,031</u>
TOTAL ASSETS	<u>\$ 31,577,524</u>
<u>LIABILITIES</u>	
Due to other funds	<u>1,577</u>
TOTAL LIABILITIES	<u>1,577</u>
<u>NET POSITION</u>	
Restricted for pension benefits	<u>\$ 31,575,947</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the Year Ended December 31, 2016

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 202,677
Employer contributions	1,024,706
State contributions	<u>638,698</u>
Total Contributions	<u>1,866,081</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	2,011,722
Interest and dividends	<u>23,904</u>
Total Investment Earnings	2,035,626
Less investment expense	<u>(99,481)</u>
Net Investment Earnings	<u>1,936,145</u>
Total Additions	<u>3,802,226</u>
Deductions	
Benefits	1,420,063
Miscellaneous expense	41,529
Actuary fees	<u>7,875</u>
Total Deductions	<u>1,469,467</u>
Change in Net Position	2,332,759
Net Position Restricted for Pension Benefits:	
Beginning of Year	<u>29,243,188</u>
End of Year	<u>\$ 31,575,947</u>

The notes to the financial statements are an integral part of this statement.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies**

***A. Financial Reporting Entity***

The Township of Northampton, County of Bucks, Commonwealth of Pennsylvania was founded in 1722. The Township is a second-class township, which operates under a Council-Manager form of government and provides the following services: general township administration, public safety, sanitation, roads, culture and recreation.

Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. There are two component units, described as entities for which the government is considered to be financially accountable. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The Northampton Municipal Authority is a component unit of the Township because the Township appoints the Board of the Authority. The Northampton Fire Company is a component unit of the Township because the Township has the responsibility for funding, funding deficits; and handles the fiscal management of tax levied on the Fire Company's behalf.

Complete financial statements for the individual component units may be obtained at the Township's administrative offices as follows: 55 Township Road, Richboro, PA 18954.

***B. Government-wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

***B. Government-wide Financial Statements (continued)***

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***C. Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation (continued)***

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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 *park & recreation fund* accounts for the revenue streams related to programs and services provided for residents relating to culture and recreation.

The *capital asset fire fund* is used to account for financial resources to be used for the purchase of major capital assets for Northampton Township Volunteer Fire Co.

The *capital reserve* is used to account for financial resources to be used for the construction of major Township capital facilities.

The *GOB fund* is used to account for financial resources to be used for the construction of major Township capital facilities and infrastructure.

The *GOB sinking fund* is used to account for financial resources to be used to retire Township outstanding bonds.

The government reports the following major proprietary funds:

The *refuse fund* accounts for the collection of amounts due from the activities of the Township's refuse activities.

The *street light fund* accounts for the collection of amounts due from the activities of the Township's street light repair activities.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation (continued)***

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's refuse 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary 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 a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include collection and disposal costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, liabilities, and net position or equity*

*1. Deposits and investments*

The government'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.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in 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. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's, or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area saving's accounts rates is minimal.

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.

*2. Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, liabilities, and net position or equity (continued)*

*3. 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-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.

Due to the immaterial nature of uncollectible accounts, all trade and property tax receivables are deemed fully collectible and an allowance has not been recorded.

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

*4. Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

*5. Restricted assets*

Certain cash deposits have been classified as restricted assets on the balance sheet because they are held by the Township in a custodial capacity for developers and others. There is a corresponding restricted liability on the balance sheet for these funds.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, liabilities, and net position or equity (continued)*

*6. Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	45
Buildings and improvements	45
Roads and bridges	75
Storm sewers	75
Lighting	20
Library	3-20
Trucks, vehicles and heavy equipment	5-25

*7. Compensated absences*

The Township has established policies for paying employees, at the time of termination or retirement, for certain accumulated but unused absences. On leaving, an employee will be compensated for all unused sick days up to 960 sick hours for Non-Uniformed Personnel, and up to 960 hours for full time Police Officers employed as of January 1, 1989 and up to 720 hours if employed after that time. At December 31, 2016, the short-term liability to the Township for compensated absences representing unused vacation and sick time was \$2,362,889. The long-term liability was determined by multiplying the accumulated available vacation and sick days, for each employee by the applicable daily rate.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, liabilities, and net position or equity (continued)*

*8. Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are written off when incurred. Bonds payable are reported net of the applicable bond premium or discount.

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*9. 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:

*Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

***D. Assets, liabilities, and net position or equity (continued)***

***9. Deferred Outflows/Inflows of Resources (continued)***

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 government has three types of items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, grants, and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***10. Fund balance***

The 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 Commissioners. 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).

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, liabilities, and net position or equity (continued)*

*10. Fund balance (continued)*

**Assigned Fund Balance** - includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. The governing body, the Board of Supervisors, has by resolution authorized the finance committee, or Township Manager and Finance Director to assign fund balance, which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**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.

*11. Net position*

In the government-wide 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.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 2. Stewardship, Compliance, and Accountability**

***A. Budgetary information***

Thirty days prior to the final supervisor's meeting in December, the Board of Supervisors submit a proposed operating budget for the fiscal year commencing the following January 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. The proposed operating budget is advertised in the newspaper at least thirty days prior to the final budget hearing. At the last Board of Supervisor's meeting in December, the budget is adopted by resolution. Within 30 days of adoption, the approved budget is advertised in the newspaper as being approved and available for inspection. Budgetary data are included in the Township management information system and are employed as a management control device during the year. Budgets for the General, Special Revenue, Capital Projects and GOB Funds are adopted on the modified accrual basis of accounting.

All budget revisions require the approval of the Township Board of Supervisors. There were no budget revisions made during the year.

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

***B. Excess of expenditures over appropriations***

For the year ended December 31, 2016, expenditures exceeded appropriation in the general fund categories of general government by \$226,989, culture & recreation by \$3,156, and miscellaneous by \$9,069. These over expenditures were funded by higher than anticipated revenues.

**NOTE 3. Detailed Notes on all Funds**

***A. Deposits and investments***

*Fair Value Measurements.* The Township categorizes its fair value measurements within the 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 significant unobservable inputs.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

**A. *Deposits and investments (continued)***

The Township has the following recurring fair value measurements as of December 31, 2016:

	<u>Fair Value</u>	<u>Level 1</u>
PRIMARY GOVERNMENT		
Cash accounts	\$ 7,867,581	\$ 7,867,581
Money market	246,936	246,936
Total	<u>\$ 8,114,517</u>	<u>\$ 8,114,517</u>
FIDUCIARY FUNDS		
Money market	\$ 223,257	\$ 223,257
Mutual funds	211,575	211,575
Asset backed	630,455	630,455
Bond mutual funds	2,691,991	2,691,991
Equities	1,204,352	1,204,352
Corporate bonds	3,666,778	3,666,778
Exchange traded products	11,953,275	11,953,275
Stock mutual funds	6,676,800	6,676,800
Treasury notes	3,196,548	3,196,548
Total Fiduciary Funds	<u>\$ 30,455,031</u>	<u>\$ 30,455,031</u>

The investment in the external investment pool totaling \$12,673 are recorded at the pool's amortized cost, which approximates fair value. The certificates are deposit of \$2.5 million are recorded at cost plus accrued interest, which approximates fair value.

*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. Deposits are considered cash equivalents because of their short maturity dates and are included in deposits. The Township's bank deposits are covered by FDIC insurance or collateralized on a pooled basis as required by the Commonwealth's 2<sup>nd</sup> Class Township Code. As of December 31, 2016, the government's carrying amount of deposits was \$10,627,190 and the bank balance was \$11,324,607. Of the bank balance, \$750,000 was covered by depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The government also has deposits of \$12,637 in external investment pools.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

**A. *Deposits and investments (continued)***

*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 constraints imposed upon allowable investment instruments through state limitations as discussed in Note 1, D, 1.

*Interest Rate Risk.* Interest rate risk is that changing interest rates will negatively impact the fair value of the Township’s investments in debt securities. The Township has no policy for interest rate risk. Securities subject to interest rate risk for Township fiduciary activities (pension plans) are as follows:

	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>&lt; 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>over 10 years</u>
Fiduciary Funds					
Asset backed	\$ 630,455	\$ -	\$ -	\$ 233,054	\$ 397,401
Corporate bonds	3,666,778	168,884	2,734,270	652,094	111,530
Treasury bonds	<u>3,196,548</u>	<u>102,605</u>	<u>1,564,251</u>	<u>1,507,371</u>	<u>22,321</u>
Total Fiduciary Funds	<u>\$ 7,493,781</u>	<u>\$ 271,489</u>	<u>\$ 4,298,521</u>	<u>\$ 2,392,519</u>	<u>\$ 531,252</u>

*Credit Risk.* It is the credit quality rating of debt securities owned by the Township. It is the Township’s policy to invest its fiduciary funds in debt security portfolios with a minimum average credit rating of “AAA”. Credit ratings for debt and money market fund that are subject to credit risk are as follows:

	<u>Fair Value</u>	<u>Ratings</u>				
		<u>AAA</u>	<u>AA+/AA/AA-</u>	<u>A+/A/A-</u>	<u>BBB+/BBB/BBB-</u>	<u>Not rated</u>
FIDUCIARY FUNDS						
Asset backed	\$ 630,455	\$ 99,112	\$ -	\$ -	\$ -	\$ 531,343
Corporate Bonds	3,666,778	118,936	851,330	1,876,145	820,367	-
Treasury	<u>3,196,548</u>	<u>3,196,548</u>	-	-	-	-
Total Fiduciary Funds	<u>\$ 7,493,781</u>	<u>\$ 3,414,596</u>	<u>\$ 851,330</u>	<u>\$ 1,876,145</u>	<u>\$ 820,367</u>	<u>\$ 531,343</u>

*Foreign currency risk.* This is the risk that changes in currency exchange rates will negatively impact the fair value of Township investments in foreign equities. The Township has no investment policy for foreign currency risk. As of December 31, 2016, the Township has no fiduciary plan investments subject to foreign currency risk.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

**A. *Deposits and investments (continued)***

Fiduciary Activity (Pension Funds) Investments

*Custodial Credit Risk Investments.* Township pension funds are administered by two fund managers, First National Bank and Trust Company of Newtown holds and manages 4.7% of total pension plan assets. Goldberg, Yolles, & Lepore Consulting Group (Wells Fargo Advisors custodian) manages 95.3% of total pension plan assets. Custodial credit risk is the risk that, in the event of the failure of the funds custodian, the Township will not be able to recover the value of plan investments or collateral security that are in custodian's possession. The Township does not have an investment policy for custodial credit risk for fiduciary investments. Pension plan assets exposed to custodial credit risk are insured by both the Securities Investor Protection Corporation for the first \$500,000 of plan assets for each custodian.

*Asset allocation.* It is the policy of the Township to allocate pension fund investments as follows: Equity exposure is set at 70% maximum and 40% minimum, the remainder being invested in fixed income securities.

*Concentration of credit risk.* It is the risk associated with lack of diversification of Township investment portfolios. It is Township's policy to have no individual investment that exceeds 5% of the total assets of the fund. As of December 31, 2016 the Township's Pension Funds had no holdings that exceed this percentage.

**B. *Receivables***

Receivables as of the year end for the government's individual major funds, non-major funds, business-type fund, and fiduciary funds in the aggregate:

	<u>General</u>	<u>Park &amp; Recreation</u>	<u>GOB Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
Receivables:							
Taxes	\$ 1,689,117	\$ 14,109	\$ 40,477	\$ 29,555	\$ 95,701	\$ -	\$ 1,868,959
Accounts	<u>502,475</u>	<u>2,277</u>	<u>-</u>	<u>-</u>	<u>352,990</u>	<u>5,862</u>	<u>863,604</u>
Total Receivables	<u>\$ 2,191,592</u>	<u>\$ 16,386</u>	<u>\$ 40,477</u>	<u>\$ 29,555</u>	<u>\$ 448,691</u>	<u>\$ 5,862</u>	<u>\$ 2,732,563</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed notes on all funds (Continued)**

***B. Receivables***

In 2010, the Township amended an agreement from 2002 from the sale of a Township property. The agreement with Giaimo Brothers of Richboro was for \$271,350 at interest rate 6.0%. Payments are made monthly at \$3,013 with a final balloon payment on November 1, 2013. The Township has agreed to keep accepting payments at the current terms of with an interest rate of 6% on a month to month basis until the borrower pays the balance which was expected in 2016. At December 31, 2016 the principal amount outstanding was \$189,617 which includes unpaid and accrued interest.

***C. Capital assets***

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

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Government-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total capital assets, not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets, being depreciated:				
Land improvements	3,905,079	328,532	-	4,233,611
Buildings and improvements	17,120,730	348,185	-	17,468,915
Machinery and equipment	6,580,750	1,329,789	(27,052)	7,883,487
Library	79,590	-	-	79,590
Infrastructure	294,021,206	3,232,222	-	297,253,428
Total capital assets, being depreciated	<u>321,707,355</u>	<u>5,238,728</u>	<u>(27,052)</u>	<u>326,919,031</u>
Less accumulated depreciation for:				
Land improvements	1,019,815	94,081	-	1,113,896
Buildings and improvements	6,361,832	403,301	-	6,765,133
Machinery and equipment	4,332,082	512,970	(10,821)	4,834,231
Library	64,461	1,190	-	65,651
Infrastructure	90,134,995	8,038,833	-	98,173,828
Total accumulated depreciation	<u>101,913,185</u>	<u>9,050,375</u>	<u>(10,821)</u>	<u>110,952,739</u>
Total capital assets, being depreciated, net	<u>219,794,170</u>	<u>(3,811,647)</u>	<u>(16,231)</u>	<u>215,966,292</u>
Total Government Type Capital Assets	<u>\$ 219,814,170</u>	<u>\$ (3,811,647)</u>	<u>\$ (16,231)</u>	<u>\$ 215,986,292</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

***C. Capital assets (continued)***

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

Governmental Activities:		
General Government	\$	56,086
Public Safety		340,929
Public Works		8,256,201
Culture and Recreation		<u>397,159</u>
Total depreciation expense - governmental activities	\$	<u>9,050,375</u>

***D. Interfund receivables, payables, and transfers***

The composition of interfund balances as of December 31, 2016, is as follows:

	Due From	Due To
	<u>Other Funds</u>	<u>Other Funds</u>
General Fund	\$ -	\$ 11,086
Nonmajor Funds	<u>11,086</u>	<u>-</u>
Total	<u>\$ 11,086</u>	<u>\$ 11,086</u>

Interfund balances are primarily the result of:

- (1) Funding cash deficits

The Township uses unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2016, consisted of the following amounts:

	Transfer In	Transfer Out
General	\$ 171,500	\$ 524,000
Capital Asset Fire	300,000	-
Capital Reserve	297,000	-
GOB Fund	125,000	-
Nonmajor Funds	<u>228,500</u>	<u>598,000</u>
Total	<u>\$ 1,122,000</u>	<u>\$ 1,122,000</u>

Interfund transfers are primarily the result of:

- (1) Reimbursement of expenses

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

*E. Leases*

Operating Leases

The government leases many pieces of office equipment under non-cancelable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

Capital Leases

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 3,334,300
Less: Accumulated depreciation	<u>(1,333,899)</u>
Total	<u>\$ 2,000,401</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

<u>Year Ending Dec 31</u>	<u>Governmental Activities</u>
2017	\$ 463,291
2018	446,699
2019	354,474
2020	263,845
2021	97,654
2022	<u>41,764</u>
Total minimum lease payments	1,667,727
Less: amounts representing interest	<u>75,501</u>
Present value of minimum lease payments	<u>\$ 1,592,226</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

***F. Long-term debt***

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued was \$39,290,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	2.0 to 5.0%	\$ <u>23,225,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,050,000	\$ 913,770
2018	1,985,000	850,370
2019	1,870,000	783,225
2020	1,735,000	711,675
2021	1,775,000	609,650
2022-2035	<u>13,810,000</u>	<u>3,899,497</u>
	<u>\$ 23,225,000</u>	<u>\$ 7,768,187</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3. Detailed Notes on all Funds (Continued)**

***F. Long-term debt (continued)***

Changes in long-term liabilities

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

	Beginning Balance <u>Restated</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 25,150,000	\$ -	\$ 1,925,000	\$ 23,225,000	\$ 2,050,000
Deferred amounts:					
For issuance discounts	(762,928)	-	(42,385)	(720,543)	-
For issuance premiums	<u>261,150</u>	<u>-</u>	<u>49,127</u>	<u>212,023</u>	<u>-</u>
Total bonds payable	24,648,222	-	1,931,742	22,716,480	2,050,000
Capital leases	1,508,088	569,235	485,097	1,592,226	410,291
Net pension liability	8,771,041	3,671,283	3,794,352	8,647,972	-
Net OPEB obligation	1,521,873	218,964	40,968	1,699,869	-
Compensated absences	<u>2,421,811</u>	<u>-</u>	<u>58,922</u>	<u>2,362,889</u>	<u>-</u>
Governmental Activities					
Long-term liabilities	<u>\$ 38,871,035</u>	<u>\$ 4,459,482</u>	<u>\$ 6,311,081</u>	<u>\$ 37,019,436</u>	<u>\$ 2,460,291</u>

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. Currently, there is no net pension obligation.

The Township has prior series bonds which are considered to be defeased, since all future debt service payments on these bonds will be paid from an irrevocable trust by an escrow agent. The trust invests exclusively in government securities. At December 31, 2016, the principal amount of the bonds outstanding but considered defeased totaled approximately \$12,950,000. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2016.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information**

***A. Risk management***

The government 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 government carries commercial insurance. The Township participates in the Delaware Valley Insurance Trust pool. The insurance expense for the year ended December 31, 2016 was \$137,431. 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 Northampton's share was \$82,425.

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 \$385,670. The Trust declared a dividend in 2016. Northampton Township's share of the dividend distribution was \$36,345. As the result of the 2016 payroll audit, Northampton Township owed an additional \$5,003. 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.

***B. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. 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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans*

*Defined Benefit Pension Plan*

The Township sponsors two single employer defined benefit pension plans, the Police Pension Plan and the Non-Uniformed Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2016. Details below are from the valuation.

*Police Pension Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. An employee enters the plan on the day he becomes a full-time police officer.

*Non-Uniformed Employees' Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the Plan on the first day of the month coincident with or following the completion of one year of service and attainment of age 21.

The Pension Plans are controlled by the provisions of Ordinance No. 2010-548, as amended, adopted pursuant to Act 581. The Plans are governed by the Board of Supervisors which is responsible for the management of the plan assets. The Board of Supervisors has appointed a Pension Committee for each plan as the official bodies to which all related investment matters of the Funds are delegated. Each Pension Committee consist of three members, one member of the Board of Supervisors, one person appointed by the Board of Supervisors, and one participant in the plan. The Board of Supervisors has delegated the authority to manage the plans assets to Wells Fargo Advisors Financial Network, LLC., Goldberg, Yolles & Lapore LLC. The Custodian is First Clearing Corporation. All full time police and non-uniform employees participate in the plans. Neither of the plans prepares individual stand-alone financial statements.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Plan Membership

At December 31, 2016, Northampton Township Pension Plans consisted of the following:

	<u>Police</u>	Non- <u>Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits	34	27
Inactive employees entitled to benefits but not yet receiving them	4	18
Active employees	<u>41</u>	<u>58</u>
	<u>79</u>	<u>103</u>

Benefits Provided

*Police Pension Plan:* The plan provides retirement benefits as well as death and disability benefits to all full-time members of the police force as of their date of hire. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 with 25 years of credited service are entitled to monthly retirement benefit, payable for life, in an amount equal to 50% of their average eligible monthly compensation received during the last 36 months of employment plus a service increment of 1/40 of the normal retirement benefit for each year of service in excess of 25 years, up to a maximum of \$100. A member who completes at least 20 years of service and terminates prior to reaching the normal retirement may receive an immediate pension. The pension is the accrued pension, reduced by an actuarial factor to account for early payment. If a participant continues working after his normal retirements date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date. A disability pension is available to participants disabled in the line of duty. The disability pension is equal to 50% of the member's monthly salary at the time of disability. If an active member is killed in the line of duty, the Plan provides a monthly death benefit to the surviving spouse, or eligible child equal to 50% of the member's monthly salary at the time of death. If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Benefits Provided (continued)

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than three years. Monthly pension shall be calculated as of the date of participation in the program

*Non-Uniformed Employees Pension Plan:* The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Normal retirement age is 65. The normal retirement pension is payable monthly during the participant's lifetime. The amount of monthly pension is equal to, if hired before January 1, 1994, the greater of A or B. If hired after January 1, 1994, B. A) A benefit equal to 1% of Final Monthly Average Salary (FMAS) up to \$1,000 plus 1.75% of FMAS in excess of \$1,000, multiplied by years of service prior to normal retirement date. The benefit shall not be less than \$10/month for each year of service. B) A monthly benefit equal to 1.5% FMAS multiplied by years of service, up to a maximum of 30 years, plus 1.0% of FMAS multiplied by years of service in excess of 30 years.

If a participant continues working after the normal retirement date, the pension does not start until the participant actually retires. The late retirement benefit is the greater of the benefit accrued to the retirement date or the actuarial equivalent of the normal retirement benefit. Early retirement is available after age 55 and 10 years of service. The early retirement benefit is the pension accrued to the date of early retirement reduced by 0.5% for each month by which the early retirement date precedes the normal retirement date. A death benefit is payable to a participant's surviving spouse, or beneficiary in an amount equal to the present value of his accrued benefit.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Measurement Focus and Basis of Accounting

*Basis of Accounting:* Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due 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.

*Method Used to Value Investments:* Pension Plan investments are reported by the custodian at fair value. Fixed income securities are reported at market value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions

Member contributions are determined each year according to funding needs. For Police, 5% member contributions were required in 2016. For Non-uniform, no member contributions were required in 2016. If an actuarial study shows that the condition of the Plan is such that payments may be reduced below the minimum percentages, or eliminated, the Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Pension Plan by participants. Administration costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contributions.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Contributions (continued)

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$654,189 for the pensions for the year ended December 31, 2016.

Investments

*Investment Policy:* The pension Board, with the assistance of Goldberg, Yolles & Lapore LLC., shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments or industries.

*Rate of Return:* For the year ended December 31, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense was 7.04% for Police and 6.64% for Non-Uniform. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Net Pension Liability

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

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 25,596,535	\$ 14,627,385
Plan fiduciary net position	<u>(20,807,872)</u>	<u>(10,768,076)</u>
Net pension liability	<u>\$ 4,788,663</u>	<u>\$ 3,859,309</u>
Plan fiduciary net position as a percentage of the total pension liability	81%	74%

*Actuarial Assumptions:* The total pension liability in the January 1, 2015 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.0%	3.0%	
Salary Increases	5.0%	5.0%	(average, including inflation)
Investment Rate of Return	7.5%	7.5%	(including inflation)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females. This table does not include projected mortality improvements.

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, 2013 to December 31, 2014.

The net pension liability for the Plans was measured as of December 31, 2016 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

Net Pension Liability (continued)

The long-term expected rate of return on pension 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 pension 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	40%	6.3%
International Equity	15%	6.3%
Fixed Income	30%	2.0%
Alternative Investments	10%	0.0%
Cash	5%	0.0%

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent for both Police and Non-Uniformed. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

**Net Pension Liability (continued)**

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<b><u>Police Pension Plan</u></b>			
Balance at December 31, 2015	\$ 24,296,291	\$ 19,437,370	\$ 4,858,921
Changes for the year:			
Service cost	477,534	-	477,534
Interest	1,821,268	-	1,821,268
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	861,904	(861,904)
Contributions - employee	-	202,677	(202,677)
Net investment income	-	1,375,025	(1,375,025)
Benefit payments, including refunds of employee contributions	(998,558)	(998,558)	-
Administrative expense	-	(70,546)	70,546
Other changes	-	-	-
Net Changes	<u>1,300,244</u>	<u>1,370,502</u>	<u>(70,258)</u>
Balance at December 31, 2016	<u>\$ 25,596,535</u>	<u>\$ 20,807,872</u>	<u>\$ 4,788,663</u>

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<b><u>Non-Uniformed Pension Plan</u></b>			
Balance at December 31, 2015	\$ 13,717,938	\$ 9,805,818	\$ 3,912,120
Changes for the year:			
Service cost	335,522	-	335,522
Interest	1,036,959	-	1,036,959
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	801,499	(801,499)
Contributions - employee	-	-	-
Net investment income	-	660,603	(660,603)
Benefit payments, including refunds of employee contributions	(463,034)	(463,034)	-
Administrative expense	-	(36,810)	36,810
Other changes	-	-	-
Net Changes	<u>909,447</u>	<u>962,258</u>	<u>(52,811)</u>
Balance at December 31, 2016	<u>\$ 14,627,385</u>	<u>\$ 10,768,076</u>	<u>\$ 3,859,309</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

Net Pension Liability (continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability			
Police	\$ 7,872,858	\$ 4,788,663	\$ 2,207,274
Non-Uniformed	5,534,834	3,859,309	2,426,497

*Deferred Outflows and Inflows of Resources:* For the year ended December 31, 2016, the Township recognized pension expense of \$1,097,711 for Police Pension and \$861,351 for Non-Uniformed Pension. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,196,966	-
Total	\$ 1,196,966	\$ -
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	617,887	-
Total	\$ 617,887	\$ -

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

*C. Employee retirement systems and pension plans (continued)*

*Deferred Outflows and Inflows of Resources (continued)*

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

Year Ended		
<u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2017	\$ 393,181	\$ 200,130
2018	393,181	200,130
2019	393,180	200,132
2020	17,424	17,495
2021	-	-
Thereafter	-	-
Total	<u>\$ 1,196,966</u>	<u>\$ 617,887</u>

*Payable to the Pension Plan:* For the year ended December 31, 2016, there was no amount payable for contributions to the pension plan.

Deferred Retirement Option Program

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. A member is eligible to enter the DROP program on or after his normal retirement date. The DROP program member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. As of December 31, 2016, the DROP account balance of \$211,575 is held by the plan pursuant to the DROP.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other information (Continued)**

***D. Other postemployment benefit plans***

The Township follows the provisions of GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” (OPEB). In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$1,699,869 in governmental activities, resulting from the adoption.

The Township administers an employer defined benefit plan to provide for certain postretirement healthcare benefits.

*Description of the Police OPEB Plan*

In accordance with the Police Labor Contract effective January 1, 2007, the Township implemented a post-retirement healthcare benefit plan for police employees who retire from the Township. All officers will be eligible for coverage upon retirement after reaching the minimum age of 55 years and the completion of 25 years of service if hired after January 1, 1992 and age 50 with 25 years of service if hired prior to January 1, 1992. A retired officer’s spouse, surviving spouse as long as he/she has not remarried, are also eligible for coverage under the plan. Plan benefits may be amended through Police Labor Contracts.

The Township will pay for medical insurance (including prescription drug coverage) and dental insurance for the first four years after retirement and for a spouse’s first year after retirement. However, the employer cost will be limited to the single or couple premium in effect at retirement. After expiration of the employer covered benefits, the retiree and/or spouse may stay on the insurance at their own cost until Medicare eligibility.

The plan does not issue a stand-alone financial report.

*Funding Policy*

The Township provides post-retirement benefits in the form of medical and hospitalization insurance premiums to its uniformed officers for a period of four years following retirement. The officer’s spouse is covered for a period of one year. The premium payment is limited to the premium cost of the coverage as of the date the employee retires. This benefit is funded on a pay as you go basis. The expense for post retiree health care costs for 2016 was \$40,968. There were three retirees receiving this benefit.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

***D. Other postemployment benefit plans (continued)***

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation date, is as follows:

Valuation Date	Actuarial Value of Net Assets	Actuarial Liability Obligation	Actuarial Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2014	\$ -	\$ 2,516,871	0%	\$ 2,516,871	\$ 3,882,389	65%

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.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other Information (Continued)**

***D. Other postemployment benefit plans (continued)***

Funded Status and Funding Progress (continued)

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 Plan, and changes in the Township's net OPEB obligation:

	<u>Police OPEB</u>
Annual required contribution	\$ 287,448
Interest on net OPEB obligation	(68,484)
Adjustments to annual required contribution	<u>-</u>
Annual OPEB cost	218,964
Contributions made	<u>(40,968)</u>
Increase (decrease) in net OPEB obligation	177,996
Net OPEB obligation (asset) at beginning of year	<u>1,521,873</u>
Net OPEB obligation (asset) at end of year	<u>\$ 1,699,869</u>

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, 2014 actuarial valuation used the following assumptions:

	<u>Police OPEB</u>
Date of Actuarial valuation	1/1/2014
Investment rate of return	4.5%
Projected salary increases due to inflation	5%
Actuarial value of assets	Market Value
Cost method	Entry Age Normal
Amortization method	Level Dollar - Open
Remaining amortization period	30

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other information (Continued)**

***D. Other postemployment benefit plans (continued)***

Funded Status and Funding Progress (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Healthcare trend rate: declining scale starting with a 12.0% increase in 2014 with the rate increases declining annually to 5.0% from 2024 and beyond except for dental. The dental benefit assumes a 5.5% increase from 2014, with a constant 4% increase per year thereafter.

Trend Information

Calendar	Annual	Percentage	Net
<u>Year</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>OPEB Obligation</u>
2014	\$ 238,182	4%	\$ 1,312,893
2015	228,368	4%	1,521,873
2016	218,964	-	1,699,869

***E. 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, \$297,662 represents the balance of these monies held in escrow.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 4. Other information (Continued)**

***F. New Accounting Pronouncements***

GASB Statement No. 72 – Fair Value Measurement and Application. This Statement is effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes. The implementation of this Statement had no effect on the balances of the investment in the financial statements, however, expanded disclosure can be found in Note 3.A.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants. This Statement is effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The external investment pool described in these financial statements elected to continue reporting its investments at amortized cost. The implementation of this Statement had no effect on the balances of the investment in the financial statements, however, expanded disclosure can be found in Note I.D.1.

***G. Prior period adjustment***

A prior period adjustment was made to adjust bond premium that had been recorded in reverse. The effect was to increase the beginning net position by \$1,325,603. A prior period adjustment was also made to add the police pension plan in the amount of \$152,590 to adjust for the DROP plan that was not previously included and timing on return of employee contributions.

***H. Subsequent events***

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Police Pension Plan

For the Year Ended December 31, 2016

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 477,534	\$ 487,208	\$ 540,849
Interest	1,821,268	1,728,973	1,706,486
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	(989,104)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(998,558)	(954,062)	(857,230)
Net change in total pension liability	1,300,244	1,262,119	401,001
Total pension liability - beginning	<u>24,296,291</u>	<u>23,034,172</u>	<u>22,633,171</u>
Total pension liability - ending (a)	<u>\$ 25,596,535</u>	<u>\$ 24,296,291</u>	<u>\$ 23,034,172</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 861,904	\$ 935,752	\$ 888,000
Contributions - employee	202,677	210,328	199,170
Net investment income	1,375,025	(397,947)	703,085
Benefit payments, including refunds of employee contributions	(998,558)	(954,062)	(857,230)
Administrative expense	(70,546)	(76,228)	(6,519)
Other	-	-	-
Net change in plan fiduciary net position	1,370,502	(282,157)	926,506
 <b>Plan fiduciary net position - beginning</b>	<u>19,437,370</u>	<u>19,719,527</u>	<u>18,793,021</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 20,807,872</u>	<u>\$ 19,437,370</u>	<u>\$ 19,719,527</u>
 <b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ 4,788,663</u>	<u>\$ 4,858,921</u>	<u>\$ 3,314,645</u>
 Plan fiduciary net position as a percentage of the total pension liability	81.3%	80.0%	85.6%
 Covered-employee payroll	\$ 3,989,739	\$ 4,079,367	\$ 3,818,254
 Net pension liability as a percentage of covered payroll	120.0%	119.1%	86.8%
 Annual money-weighted return, net of investment expenses	7.04%	-2.02%	4.14%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Police Pension Plan

For the Year Ended December 31, 2016

**SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2007	\$302,755	\$321,667	\$ (18,912)	\$2,904,762	(1) 11.1%
2008	289,061	153,052	136,009	3,213,912	(1) 4.8%
2009	514,034	514,034	-	3,213,912	(1) 16.0%
2010	541,890	541,890	-	3,611,531	(1) 15.0%
2011	715,014	644,559	70,455	3,611,531	(1) 17.8%
2012	703,105	634,774	68,331	3,860,005	(1) 16.4%
2013	881,042	882,032	(990)	3,860,005	(1) 22.9%
2014	887,837	888,000	(163)	3,818,254	23.3%
2015	935,752	935,752	-	4,079,367	22.9%
2016	853,878	861,905	(8,027)	3,989,739	21.6%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	13 years aggregate
Asset valuation method	4-year smoothing
Inflation	3%
Projected salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Later of age 51 or 26 years of service for participants hired before January 1, 1992 and later of age 55 or 26 years of service for those hired after January 1, 1992, or attained age if currently eligible to retire.

Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled members. Rates projected with 75% of scale AA.
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Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Non-Uniformed Employees Pension Plan

For the Year Ended December 31, 2016

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 335,522	\$ 341,598	\$ 321,375
Interest	1,036,959	972,524	908,895
changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	19,124
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(463,034)	(435,288)	(407,680)
Net change in total pension liability	909,447	878,834	841,714
Total pension liability - beginning	<u>13,717,938</u>	<u>12,839,104</u>	<u>11,997,390</u>
Total pension liability - ending (a)	<u>\$ 14,627,385</u>	<u>\$ 13,717,938</u>	<u>\$ 12,839,104</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 801,499	\$ 780,088	\$ 742,000
Contributions - employee	-	-	-
Net investment income	660,603	(189,522)	332,310
Benefit payments, including refunds of employee contributions	(463,034)	(435,288)	(407,680)
Administrative expense	(36,810)	(43,739)	(6,488)
Other	-	-	-
Net change in plan fiduciary net position	962,258	111,539	660,142
<b>Plan fiduciary net position - beginning</b>	<u>9,805,818</u>	<u>9,694,279</u>	<u>9,034,137</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 10,768,076</u>	<u>\$ 9,805,818</u>	<u>\$ 9,694,279</u>
 <b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ 3,859,309</u>	<u>\$ 3,912,120</u>	<u>\$ 3,144,825</u>
 Plan fiduciary net position as a percentage of the total pension liability	73.6%	71.5%	75.5%
 Covered-employee payroll	\$ 3,721,891	\$ 4,034,906	\$ 3,941,799
 Net pension liability as a percentage of covered payroll	103.7%	97.0%	79.8%
 Annual money-weighted return, net of investment expenses	6.64%	-1.97%	4.05%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Non-Uniformed Employees Pension Plan

For the Year Ended December 31, 2016

**SCHEDULE OF CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2007	\$233,124	\$247,686	\$ (14,562)	\$2,788,719	(1) 8.9%
2008	247,595	264,357	(16,762)	2,973,165	(1) 8.9%
2009	425,243	425,243	-	2,973,165	(1) 14.3%
2010	432,152	432,152	-	3,348,227	(1) 12.9%
2011	523,800	474,000	49,800	3,348,227	(1) 14.2%
2012	528,505	479,001	49,504	3,476,663	(1) 13.8%
2013	733,265	734,063	(798)	3,476,663	(1) 21.1%
2014	741,199	742,000	(801)	3,941,799	18.8%
2015	780,088	780,088	-	4,034,906	19.3%
2016	794,035	801,499	(7,464)	3,721,891	21.5%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	13 years aggregate
Asset valuation method	4-year smoothing
Inflation	3%
Projected salary increases	5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Earlier of age 65 or age 63 and 30 years of service.
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled members. Rates

Change in benefit terms: None since 1/1/2015

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Police OPEB Plan

For the Year Ended December 31, 2016

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Net Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued	Liability as a Percentage of Payroll
					Projected Annual Covered Payroll	
1/1/2008	\$ -	\$ 1,587,144	0%	\$ 1,587,144	\$ 3,128,186	51%
1/1/2011	-	1,713,495	0%	1,713,495	3,611,531	47%
1/1/2014	-	2,516,871	0%	2,516,871	3,882,389	65%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Contributions			Percentage Contributed
	Required Contribution	From Employer	Percentage	
2011	\$ 218,831	\$ 9,428	4%	
2012	218,831	9,918	5%	
2013	218,831	10,104	5%	
2014	287,448	20,097	7%	
2015	287,448	19,388	7%	
2016	287,448	40,968	14%	

## **Combining and Individual Fund Statements and Schedules**

NORTHAMPTON TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	Special Revenue Funds					Total
	Ambulance Squad	Fire Protection	Library	Senior Center	Highway Aid Fund	
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 1,598	\$ 16,341	\$ 94,587	\$ 130,783	\$ 385,279	\$ 628,588
Taxes receivable	1,180	9,888	15,057	-	-	26,125
TOTAL ASSETS	\$ 2,778	\$ 26,229	\$ 109,644	\$ 130,783	\$ 385,279	\$ 654,713
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ 15,314	\$ 5,588	\$ 3,389	\$ 24,291
Accrued wages	-	-	9,846	2,237	-	12,083
Total Liabilities	-	-	25,160	7,825	3,389	36,374
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	1,152	9,652	14,698	-	-	25,502
Unavailable revenue-grant funds	-	-	-	-	-	-
Total Deferred Inflows of Resources	1,152	9,652	14,698	-	-	25,502
<u>FUND BALANCES</u>						
Restricted for						
Public safety	1,626	16,577	-	-	-	18,203
Public works	-	-	-	-	381,890	381,890
Culture and recreation	-	-	69,786	-	-	69,786
Assigned for						
Culture and recreation	-	-	-	122,958	-	122,958
Unassigned	-	-	-	-	-	-
Total Fund Balances	1,626	16,577	69,786	122,958	381,890	592,837
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,778	\$ 26,229	\$ 109,644	\$ 130,783	\$ 385,279	\$ 654,713

Capital Projects Funds						Total Nonmajor
Capital Asset Recreation	Treasury & Justice	Capital Road Equipment	Capital Asset Library	Capital Asset Senior Ctr	Capital Asset Rescue	Governmental Funds
\$ 427,296	\$ 27,530	\$ 56,235	\$ 93,467	\$ 126,239	\$ 4,718	\$ 1,364,073
<u>-</u>	<u>-</u>	<u>3,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,555</u>
<u>\$ 427,296</u>	<u>\$ 27,530</u>	<u>\$ 59,665</u>	<u>\$ 93,467</u>	<u>\$ 126,239</u>	<u>\$ 4,718</u>	<u>\$ 1,393,628</u>
\$ 1,106	\$ 916	\$ -	\$ -	\$ -	\$ -	\$ 26,313
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,083</u>
<u>1,106</u>	<u>916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,396</u>
-	-	3,348	-	-	-	28,850
<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<u>30,000</u>	<u>-</u>	<u>3,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,850</u>
-	26,614	-	-	-	4,718	49,535
-	-	56,317	-	-	-	438,207
396,190	-	-	93,467	-	-	559,443
-	-	-	-	126,239	-	249,197
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>396,190</u>	<u>26,614</u>	<u>56,317</u>	<u>93,467</u>	<u>126,239</u>	<u>4,718</u>	<u>1,296,382</u>
<u>\$ 427,296</u>	<u>\$ 27,530</u>	<u>\$ 59,665</u>	<u>\$ 93,467</u>	<u>\$ 126,239</u>	<u>\$ 4,718</u>	<u>\$ 1,393,628</u>

NORTHAMPTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	Special Revenue Funds					Total
	Ambulance Squad	Fire Protection	Library	Senior Center	Highway Aid Fund	
<b>Revenues</b>						
Property taxes	\$ 72,328	\$ 603,531	\$ 950,149	\$ -	\$ -	\$ 1,626,008
Investment income and rent	29	323	1,871	22,364	1,663	26,250
Intergovernmental revenue	-	-	118,000	11,271	1,229,383	1,358,654
Charges for services	-	-	12,970	69,322	37,906	120,198
Other	-	-	-	1,462	1,950	3,412
Total Revenues	<u>72,357</u>	<u>603,854</u>	<u>1,082,990</u>	<u>104,419</u>	<u>1,270,902</u>	<u>3,134,522</u>
<b>Expenditures</b>						
Current:						
Public safety	70,516	303,084	-	-	-	373,600
Highways and roads	-	-	-	-	748,309	748,309
Culture and recreation	-	-	1,112,216	-	-	1,112,216
Debt service						
Principal	-	-	-	-	9,213	9,213
Interest	-	-	-	-	969	969
Miscellaneous	-	-	-	320,243	-	320,243
Total Expenditures	<u>70,516</u>	<u>303,084</u>	<u>1,112,216</u>	<u>320,243</u>	<u>758,491</u>	<u>2,564,550</u>
<b>Excess (Deficiency) of Revenues</b>						
Over Expenditures	<u>1,841</u>	<u>300,770</u>	<u>(29,226)</u>	<u>(215,824)</u>	<u>512,411</u>	<u>569,972</u>
<b>Other Financing Sources (Uses)</b>						
Debt issuance	-	-	-	-	-	-
Transfers in	-	-	-	227,000	-	227,000
Transfers out	<u>(1,500)</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(171,500)</u>	<u>(473,000)</u>
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>(300,000)</u>	<u>-</u>	<u>227,000</u>	<u>(171,500)</u>	<u>(246,000)</u>
Net Change in Fund Balances	341	770	(29,226)	11,176	340,911	323,972
Fund Balance - Beginning	<u>1,285</u>	<u>15,807</u>	<u>99,012</u>	<u>111,782</u>	<u>40,979</u>	<u>268,865</u>
Fund Balance - Ending	<u>\$ 1,626</u>	<u>\$ 16,577</u>	<u>\$ 69,786</u>	<u>\$ 122,958</u>	<u>\$ 381,890</u>	<u>\$ 592,837</u>

Capital Projects Funds						Total Nonmajor
Capital Asset Recreation	Treasury & Justice	Capital Road Equipment	Capital Asset Library	Capital Asset Senior Ctr	Capital Asset Rescue	Governmental Funds
\$ -	\$ -	\$ 210,393	\$ -	\$ -	\$ -	\$ 1,836,401
1,661	145	221	353	481	15	29,126
125,000	-	-	-	-	-	1,483,654
-	-	-	-	-	-	120,198
57,680	245	-	2,225	-	-	63,562
<u>184,341</u>	<u>390</u>	<u>210,614</u>	<u>2,578</u>	<u>481</u>	<u>15</u>	<u>3,532,941</u>
-	-	-	-	-	-	373,600
-	20,962	168,116	-	-	-	937,387
151,153	-	-	6,534	3,927	-	1,273,830
42,815	-	211,497	-	-	-	263,525
2,690	-	14,189	-	-	-	17,848
-	-	-	-	-	-	320,243
<u>196,658</u>	<u>20,962</u>	<u>393,802</u>	<u>6,534</u>	<u>3,927</u>	<u>-</u>	<u>3,186,433</u>
<u>(12,317)</u>	<u>(20,572)</u>	<u>(183,188)</u>	<u>(3,956)</u>	<u>(3,446)</u>	<u>15</u>	<u>346,508</u>
-	-	167,968	-	-	-	167,968
-	-	-	-	-	1,500	228,500
<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(598,000)</u>
<u>(125,000)</u>	<u>-</u>	<u>167,968</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>(201,532)</u>
(137,317)	(20,572)	(15,220)	(3,956)	(3,446)	1,515	144,976
533,507	47,186	71,537	97,423	129,685	3,203	1,151,406
<u>\$ 396,190</u>	<u>\$ 26,614</u>	<u>\$ 56,317</u>	<u>\$ 93,467</u>	<u>\$ 126,239</u>	<u>\$ 4,718</u>	<u>\$ 1,296,382</u>

NORTHAMPTON TOWNSHIP

COMBINING STATEMENT OF NET POSITION -  
FIDUCIARY FUNDS

For the Year Ended December 31, 2016

	<u>Pension Trust Funds</u>		<u>Total Fiduciary Funds</u>
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	
<u>ASSETS</u>			
Cash	\$ 467,528	\$ 654,965	\$ 1,122,493
Investments			
Money market	151,237	72,020	223,257
Mutual funds	211,575	-	211,575
Bond and bond funds	4,622,966	2,366,258	6,989,224
Treasury notes	2,155,689	1,040,859	3,196,548
Equities and stock funds	5,245,092	2,636,060	7,881,152
Exchange traded products	7,955,362	3,997,913	11,953,275
Total investments	<u>20,341,921</u>	<u>10,113,110</u>	<u>30,455,031</u>
 TOTAL ASSETS	 <u>20,809,449</u>	 <u>10,768,075</u>	 <u>31,577,524</u>
 <u>LIABILITIES</u>			
Refund of member contributions payable	<u>1,577</u>	<u>-</u>	<u>1,577</u>
TOTAL LIABILITIES	<u>1,577</u>	<u>-</u>	<u>1,577</u>
 <u>NET POSITION</u>			
Restricted for pension benefits	<u>\$ 20,807,872</u>	<u>\$ 10,768,075</u>	<u>\$ 31,575,947</u>

NORTHAMPTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - FIDUCIARY FUNDS

For the Year Ended December 31, 2016

	<u>Pension Trust Funds</u>		Total
	<u>Police</u>	<u>Non-Uniform</u>	Fiduciary
	<u>Pension</u>	<u>Pension</u>	<u>Funds</u>
Additions			
Contributions			
Member contributions	\$ 202,677	\$ -	\$ 202,677
Employer contributions	530,959	493,747	1,024,706
State contributions	330,946	307,752	638,698
Total Contributions	<u>1,064,582</u>	<u>801,499</u>	<u>1,866,081</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	1,360,033	651,689	2,011,722
Interest and dividends	14,991	8,913	23,904
Total Investment Earnings	1,375,024	660,602	2,035,626
Less investment expense	(65,796)	(33,685)	(99,481)
Net Investment Earnings	<u>1,309,228</u>	<u>626,917</u>	<u>1,936,145</u>
Total Additions	<u>2,373,810</u>	<u>1,428,416</u>	<u>3,802,226</u>
Deductions			
Benefits	957,029	463,034	1,420,063
Miscellaneous expense	41,529	-	41,529
Actuary fees	4,750	3,125	7,875
Total Deductions	<u>1,003,308</u>	<u>466,159</u>	<u>1,469,467</u>
Change in Net Assets	1,370,502	962,257	2,332,759
Net Position Restricted for Pension Benefits:			
Beginning of Year	<u>19,437,370</u>	<u>9,805,818</u>	<u>29,243,188</u>
End of Year	<u>\$ 20,807,872</u>	<u>\$ 10,768,075</u>	<u>\$ 31,575,947</u>