

**NORTHAMPTON TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2017

NORTHAMPTON TOWNSHIP

FINANCIAL STATEMENTS

December 31, 2017

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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, 2017, which collectively comprise the basic financial statements as listed in the table of contents.

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, 2017, 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.

Other-Matters

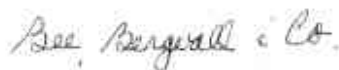
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical trend information on pages 5 through 17 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. Such 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
July 12, 2018

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

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, 2017. 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 for the governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$188,221,830 (*net position*). Of this amount, -\$6,416,070 (*unrestricted net position*) represents a negative balance and may not be used to meet the Township's ongoing obligations to citizens and creditors. Additionally, \$4,024,464 (*restricted net position*) represents a positive balance and must be used to meet the Township's existing capital obligations (Public Safety \$2,021,653, Public Works \$663,825, Culture & Rec \$1,075,412, Debt Service \$264,574).
- The Township's debt decreased by \$2,553,482 or 10% during the current fiscal year. Existing Long-Term Debt (Bonds) was reduced by \$2,050,000 (principal payments), and Short-Term Debt (Capital Leases/Loans) changed by \$38,482 (principal payments of \$503,482 and new debt of \$465,000) in 2017.

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 \$9,467,040 a decrease of \$734,524 (-7.20%) 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 of \$9,467,040 is available for spending, within the "assigned" and "restricted" categories of the various funds.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,932,297 or 12.9% of total general fund expenditures, \$15,015,269. This increase of \$223,132 represents an 11.96% Fund Balance increase for the year (in the General Fund). Although a deficit of -\$595,000 was budgeted, some windfalls and Local Enabling Taxes pushed Total Revenues \$596,401 over budget, and prudent spending kept Total Expenses -\$221,731 under budget.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

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, 2017

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 Asset Fire, Capital Reserve Fund, GOB Fund, and GOB Debt Service Fund, which are considered to be major funds.

Data from the other governmental funds (Capital Asset Recreation, Treasury & Justice, Capital Road Equipment, Capital Asset Library, Capital Asset Senior Center, Capital Asset Rescue, Ambulance, Fire, Library, Senior Center, Highway Aid, and 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 29-30 of this report.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

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 32 and 33 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 \$188,221,830 at the close of the most recent fiscal year. This represents a \$5,895,771 or 3.03% reduction from previous year. This change is mostly attributable to a depreciable reduction (\$6,478,374) in capital assets.

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, 2017

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed statement of net position:

Table 1
Statement of Net position - December 31, 2017
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 17,646	\$ 16,728	\$ 1,331	\$ 1,674	\$ 18,977	\$ 18,402
Capital assets	207,422	215,986	-	-	207,422	215,986
Total Assets	<u>225,068</u>	<u>232,714</u>	<u>1,331</u>	<u>1,674</u>	<u>226,399</u>	<u>234,388</u>
Long term liabilities	31,790	34,770	-	-	31,790	34,770
Other liabilities	5,056	3,827	274	285	5,330	4,112
Total Liabilities	<u>36,846</u>	<u>38,597</u>	<u>274</u>	<u>285</u>	<u>37,120</u>	<u>38,882</u>
Net Position						
Invested in capital assets, net of debt	190,612	196,775	-	-	190,612	196,775
Restricted	4,026	3,031	1,057	1,389	5,083	4,420
Unrestricted	<u>(6,416)</u>	<u>(5,689)</u>	<u>-</u>	<u>-</u>	<u>(6,416)</u>	<u>(5,689)</u>
Total Net Position	<u>\$ 188,222</u>	<u>\$ 194,117</u>	<u>\$ 1,057</u>	<u>\$ 1,389</u>	<u>\$ 189,279</u>	<u>\$ 195,506</u>

A portion of the Township's net position (\$5,083,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (6,416,000) shows a negative balance and a result of new GASB reporting issues, require net pension liability and post employment benefit 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 \$6,227,000 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, 2017

A comparison of 2017 vs. 2016 shows Total Operating Expenses (Governmental and Business-Type Activities) increased by \$775,000 or 2.23%. Increases in all categories except Debt Service contribute to the total increase.

Table 2
Changes in Net position - 2017
(in thousands)

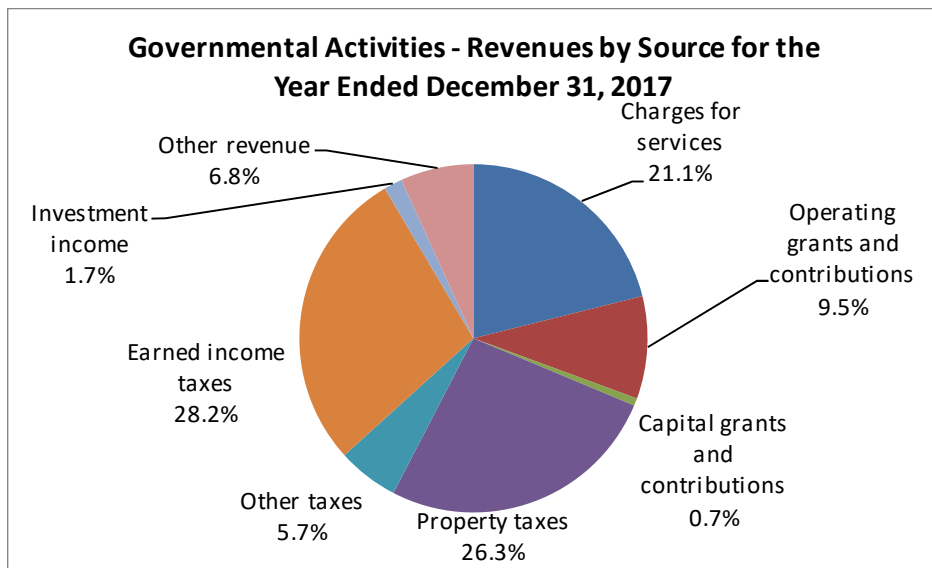
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues:						
Charges for services	\$ 2,615	\$ 2,919	\$ 3,394	\$ 3,449	\$ 6,009	\$ 6,368
Operating grants and contributions	2,460	2,470	237	380	2,697	2,850
Capital grants and contributions	134	210	-	-	134	210
General revenues:						
Property taxes	7,517	7,464	-	-	7,517	7,464
Other taxes	9,666	9,099	-	-	9,666	9,099
Grants and contributions not restricted to specific programs	64	6	-	-	64	6
Investment income	480	518	9	6	489	524
Miscellaneous	1,637	1,489	-	-	1,637	1,489
Gain on sale of capital assets	<u>315</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>315</u>	<u>15</u>
Total Revenues	<u>24,888</u>	<u>24,190</u>	<u>3,640</u>	<u>3,835</u>	<u>28,528</u>	<u>28,025</u>
EXPENSES						
General government	3,802	3,438	-	-	3,802	3,438
Code enforcement	708	671	-	-	708	671
Public safety	9,756	9,656	-	-	9,756	9,656
Sanitation	-	-	3,938	3,844	3,938	3,844
Public works	11,928	11,831	34	18	11,962	11,849
Culture and recreation	4,272	3,900	-	-	4,272	3,900
Debt service	<u>317</u>	<u>622</u>	<u>-</u>	<u>-</u>	<u>317</u>	<u>622</u>
Total Expenses	<u>30,783</u>	<u>30,118</u>	<u>3,972</u>	<u>3,862</u>	<u>34,755</u>	<u>33,980</u>
Change in Net Position	(5,895)	(5,928)	(332)	(27)	(6,227)	(5,955)
Net Position - Beginning	<u>194,117</u>	<u>200,045</u>	<u>1,389</u>	<u>1,416</u>	<u>195,506</u>	<u>201,461</u>
Net Position - Ending	<u>\$ 188,222</u>	<u>\$ 194,117</u>	<u>\$ 1,057</u>	<u>\$ 1,389</u>	<u>\$ 189,279</u>	<u>\$ 195,506</u>

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

For the fiscal year ended December 31, 2017, revenues for governmental and business-type activities totaled \$28,528,000, an increase of \$503,000 over 2016. This reflects an increase in Property Taxes, Other Taxes, Grants (unrestricted), Miscellaneous/Unclassified Revenues, and Gain on Sale of Assets. The remaining items (Charges for Services, Operating Grants, Capital Grants, and Investment Income) finished the year lower than 2016. Sources of revenue for the fiscal year 2017 are comprised of the following items:



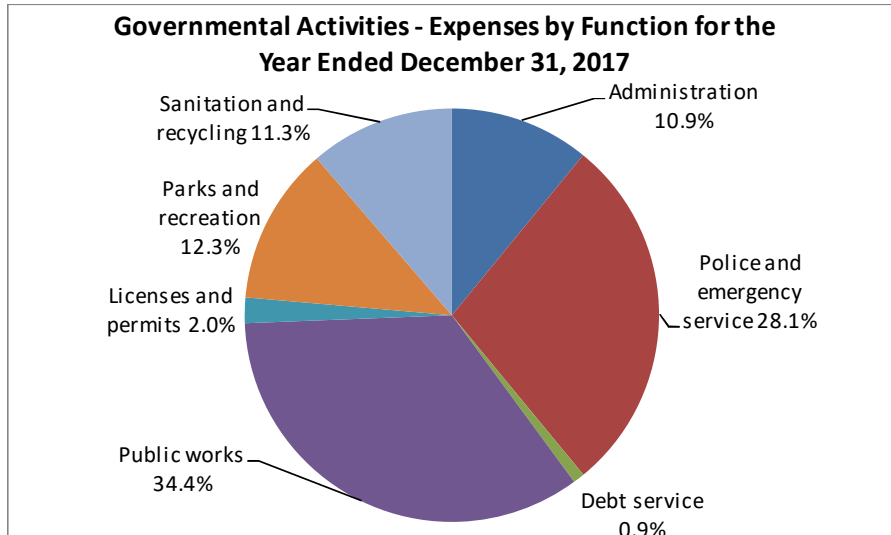
The Township's largest source of revenue is Earned Income Taxes. This .5% levy produces 28.2 % of all revenues. Property Taxes are in 2nd place at 26.3%. Charges for Services are 3rd in this group of top three revenue sources. Operating Grants (9.5%), Other Revenues (6.8%), and Other Taxes (5.7%) together are substantial contributors with a collective share of 22.0%. Investment Income and Capital Grants pull up rear with a combined total of 2.4%.

NORTHAMPTON TOWNSHIP

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

For the 2017 fiscal year, expenses for government and business-type activities totaled \$34.76 million, an increase of \$.775 million (2.3%) over 2016 expenses.



As the chart above indicates, the largest program expense is for public works activities at \$11.96 million (34.4% of total expenses). Police and emergency services activity is the Township’s second largest program with expenses of \$9.76 million (28.1%). Park & Recreation rates third with \$4.27 million (12.3%). Sanitation & Recycling expenses are fourth at \$3.94 million (11.3%). Administration comes in at \$3.80 million (10.9%). Lastly, Licenses & Permits and Debt Service finish 2017 at \$.708 million (2.0%) and \$.317 million (0.9%) respectively.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities and business-type in fiscal 2017, revenues (\$28.528 million) were exceeded by expenses (\$34.755 million) by \$6.227 million, resulting in a decrease in net position by that amount. The year ended with total Net Position of \$189.279 million.

Financial Analysis of the Township’s Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township’s financing requirements. In particular, *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, 2017

As of the end of the current fiscal year, the Township's total governmental funds reported combined ending fund balances of \$9,467,040, a decrease of -\$734,524 or (-7.20%) in comparison with the prior year. This fund balance constitutes a Restricted Fund balance of \$7,305,403, an Assigned Fund Balance of \$229,340, and an Unassigned Fund Balance of \$1,932,297, 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 \$1,932,297 and the restricted fund balance of the general fund was \$157,204 (for Live Scan). Unreserved/Unassigned fund balance represents 12.9% of total general fund expenditures. This represents an increase over 2016's percentage of 12.25%.

The fund balance of the Township's General Fund increased by \$223,132 (11.96%) during the current fiscal year. The fund balance of the Park & Recreation Operating Fund increased by \$100,894 (35.10%). The fund balance of the Capital Asset Fire Fund decreased by \$411,638 (29.02%). The fund balance of the Capital Reserve Fund decreased by \$216,814 (-98.69%). The fund balance of the GOB Bond Fund decreased by \$1,620,594 (33.07%) due to on-going capital project expenditures. The fund balance of the GOB Debt Service Fund increased by \$51,752 (24.32%). The fund balances of the remaining non-major funds increased by \$315,468 (24.33%). Overall, the fund balances of all the funds decreased by \$734,524 (-7.20%). This substantial reduction is mostly attributable to the 2017 expenditures (\$1,659,035) for the various capital projects in the 2015 Bond Fund. The removal of this particular fund from the mix will show an overall fund balance increase of \$886,070 or a 8.7% 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 \$596,401. The drivers behind this increase (over budget) include: Earned Income Taxes = \$332,704 over budget, RE Transfer Taxes = \$87,743 over budget, PEMA Assistance (Misc. Rev.) = \$142,000 over budget, Live Scan Restricted Revenue = \$92,422 over budget, A few categories were underbudget by small amounts due to lower than expected revenues.

General Fund Expenditures were lower than the budgeted amounts by \$221,731 as a result of management's continued efforts to control costs, and postpone expenses where possible. Although expenses were budgeted at 1.21% over the 2016 budget, some savings were realized as actuals came in at -1.46% under the 2017 budget.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Expenses that contributed to the budget savings were Medical Insurance-\$263,152; Salaries Public Works-\$52,106, Police Overtime \$37,328, and Diesel Motor Fuel \$33, 137.

Expenses that exceeded their budgets in 2017: Special Legal Services = \$49,871 over budget. (Police Litigation). Police Wages (Kelly Time Pay-Out) = \$35,714 over budget. Contracted Services (snow removal) = \$30,857 over budget. Storm Water Engineering = \$29,730 over budget. Contracted Services (hauling paving materials) = \$28,702 over budget. Operating Supplies (additional paving material) = \$28,284 over budget.

A schedule showing the Township's original and final budget amount compared with amounts actually paid and received is provided on page 27.

Park & Recreation Fund Budget Highlights

Although the Park & Rec Fund budgeted a slight decrease (-.63%) in revenues from the previous 2016 budget, actual total revenues for 2017 were able to surpass the 2017 budget by \$4,331 or .18%. Fees charged for services were under budget by -\$30,729, primarily due to a decrease in ticket sales. Revenues from Interest and facility rentals were over budget by \$27,948 and Tax Revenues = \$8,518 over budget.

In addition, Total Expenses were under budget by \$112,063 or -4.63%. Items worth mentioning: Health Insurance = -\$34,438 under budget. Program Instructor Fees = -\$25,688 under budget. Ticket Purchases = -\$16,520 under budget. Salaries & Wages = -\$22,054 under budget.

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

Capital Asset and Debt Administration Capital Assets

The Township's investment in capital assets for its governmental type activities as of December 31, 2017, amounts to \$209,508,000 (*net of accumulated depreciation \$119,870,000*). This investment in capital assets includes: land, buildings and system improvements, machinery and equipment, park facilities, infrastructure, etc. The total increase (\$2,440,000) in the Township's investment in capital assets for the current fiscal year was entirely off-set by an increase (\$8,918,000) in accumulated depreciation, resulting in a net reduction in Capital Assets of \$6,478,000.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

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

	Beginning Balance <u>January 1, 2017</u>	Net Additions/ Deletions	Ending Balance <u>December 31, 2017</u>
Non-Depreciable Assets			
Land	\$ 20	\$ -	\$ 20
Construction in progress	-	2,086	2,086
Other Capital Assets			
Machinery, vehicles and equipment	7,883	354	8,237
Land improvements	4,234	-	4,234
Buildings and improvements	17,469	-	17,469
Library	80	-	80
Infrastructure	297,253	-	297,253
Accumulated depreciation on capital assets	<u>(110,953)</u>	<u>(8,918)</u>	<u>(119,871)</u>
Totals	<u>\$ 215,986</u>	<u>\$ (6,478)</u>	<u>\$ 209,508</u>

The Northampton Township Board of Supervisors continues to place significant resources to the area of capital improvements. Details on Capital Assets can be found on page 49.

This year's major capital improvements/additions include:

Construction in Progress	\$ 2,086,000
Machinery and Equipment	354,000

Long-term Debt

At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$21,175,000. Of this amount, \$21,175,000 comprises debt backed by the full faith and credit of the government. There are no bonds secured solely by specified revenue sources (i.e., revenue bonds). The Township entered 2017 with total outstanding debt of \$23,225,000. After making principal payments (\$2,050,000) in 2017, the outstanding debt balance at year-end is \$21,175,000.

Details on Long-term Debt can be found on page 53.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Average Interest Rate</u>	<u>Final Maturity</u>	<u>Balance January 1, 2017</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Balance December 31, 2017</u>
2010	\$ 16,410,000	variable - 3.02%	2021	\$ 7,565,000	\$ 1,275,000	\$ 246,413	\$ 6,290,000
2015A	3,050,000	variable - 2.75%	2022	2,450,000	750,000	49,870	1,700,000
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	25,000	416,400	10,930,000
				<u>\$ 23,225,000</u>	<u>\$ 2,050,000</u>	<u>\$ 823,183</u>	<u>\$ 21,175,000</u>

Economic Factors and Next Year's Budgets and Rates

Our tax increase for FY 2014 had one goal: To maintain appropriate year end 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 2017, one additional fiscal year. Most importantly, it maintained an "appropriate fund balance" in the General Fund. In spite of the fact that this fund budgets an annual deficit between \$400,000-\$600,000, the year-end fund balance surpassed 2016's and hit \$2,089,501 or 13.92% of Total Operating Expenditures.

Although this 3 year plan assumed a subsequent tax increase for FY 2017, (tax increase) it was averted due to better than expected revenues, primarily due to strong Earned Income tax receipts.

The results of this positive economic trend can be seen in the various housing developments that are currently underway, or planned for the very near future. We are seeing these developments in large tracks of available land as well as in smaller ones, not only in this Township, but in all other surrounding municipalities. Although the lower interest rates are fueling such growth, we believe there remains some room for additional growth with slightly higher rates. Besides, there is little talk about "inflation" which exacerbates any bumpy ride up the interest rate ladder. We will monitor interest rates as we enter into the budgeting season for FY 2019.

It is important to note that our FY 2018 DID include a 15.35% tax increase or 1.98360 mills. The majority of which (1.25335 mills or 63.2%) went for Capital needs. Various projects are planned or under way, some with off-setting grant assistance. The remaining mills were necessary in the General Fund (.60190 mills) and the Library Fund (.12835 mills) This 2018 tax increase, together with anticipated economic growth for our area, should maintain all tax-dependent funds for the next 3 to 4 years.

NORTHAMPTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

Although most funds were able to “survive” the 2017 year without the anticipated tax increase, to ensure the financial health of the General Fund and these smaller funds, a tax increase was passed for FY 2018. By maintaining an appropriate fund balance (10% to 15% 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. 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.

Fortunately we are seeing some relief from extremely low interest rates. Our recent attractive cash position (due to higher fund balances) has started to enjoy slightly higher interest income. Short term interest rates remain low; however they are almost twice last year's rates. A snap-shot of TOTAL CASH BALANCE at year-end 2017 reflected an amount that was \$1,394,238 over 2016, \$658,882 over 2015, \$576,252 over 2014, \$1,193,999 over 2013, \$2,465,282 over 2012, \$993,404 over 2011, and \$2,781,018 over 2010. 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.

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,982,837	\$ 937,998	\$ 8,920,835
Taxes receivable	5,112,458	85,215	5,197,673
Accounts receivable	483,127	309,136	792,263
Restricted assets:			
Cash and cash equivalents	510,178	-	510,178
Land	20,000	-	20,000
Construction in progress	2,085,492	-	2,085,492
Other capital assets (net of accumulated depreciation)	<u>207,402,425</u>	<u>-</u>	<u>207,402,425</u>
Total Assets	<u>223,596,517</u>	<u>1,332,349</u>	<u>224,928,866</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Difference between projected and actual assumptions on pension plan liability	<u>1,472,361</u>	<u>-</u>	<u>1,472,361</u>
Total deferred outflows of resources	<u>1,472,361</u>	<u>-</u>	<u>1,472,361</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	826,660	273,851	1,100,511
Interest payable	46,275	-	46,275
Deposits	510,718	-	510,718
Non-current liabilities:			
Due within one year	2,597,341	-	2,597,341
Due after one year	<u>31,790,383</u>	<u>-</u>	<u>31,790,383</u>
Total Liabilities	<u>35,771,377</u>	<u>273,851</u>	<u>36,045,228</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between projected and actual experience on pension plan liability	795,268	-	795,268
Differences between expected and actual earnings on pension plan investments	<u>280,403</u>	<u>-</u>	<u>280,403</u>
Total deferred inflows of resources	<u>1,075,671</u>	<u>-</u>	<u>1,075,671</u>
<u>NET POSITION</u>			
Net investment in capital assets	190,612,436	-	190,612,436
Restricted for:			
Public safety	2,021,653	-	2,021,653
Public works	663,825	1,058,498	1,722,323
Culture and recreation	1,075,412	-	1,075,412
Debt service	264,574	-	264,574
Unrestricted	<u>(6,416,070)</u>	<u>-</u>	<u>(6,416,070)</u>
Total Net Position	<u>\$ 188,221,830</u>	<u>\$ 1,058,498</u>	<u>\$ 189,280,328</u>

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

NORTHAMPTON TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<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	\$ 3,802,362	\$ 50,979	\$ 327,748	\$ -
Code Enforcement	708,072	657,826	-	-
Public Safety	9,756,259	304,696	635,177	-
Public Works	11,927,478	-	1,239,126	133,766
Culture and Recreation	4,272,388	1,601,800	257,633	-
Debt Service	317,186	-	-	-
Total Government Activities	<u>30,783,745</u>	<u>2,615,301</u>	<u>2,459,684</u>	<u>133,766</u>
Business -Type Activities				
Refuse	3,937,984	3,360,772	236,873	-
Street Light	34,300	33,557	-	-
Total Business-Type Activities	<u>3,972,284</u>	<u>3,394,329</u>	<u>236,873</u>	<u>-</u>
Total Primary Government	<u>34,756,029</u>	<u>6,009,630</u>	<u>2,696,557</u>	<u>133,766</u>
General Revenues				
Taxes:				
Real Estate				
Transfer				
Earned Income Tax				
Local Service 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
\$ (3,423,635)	\$ -	\$ (3,423,635)
(50,246)	-	(50,246)
(8,816,386)	-	(8,816,386)
(10,554,586)	-	(10,554,586)
(2,412,955)	-	(2,412,955)
(317,186)	-	(317,186)
<u>(25,574,994)</u>	<u>-</u>	<u>(25,574,994)</u>
-	(340,339)	(340,339)
<u>-</u>	<u>(743)</u>	<u>(743)</u>
<u>-</u>	<u>(341,082)</u>	<u>(341,082)</u>
<u>(25,574,994)</u>	<u>(341,082)</u>	<u>(25,916,076)</u>
7,516,724	-	7,516,724
1,214,743	-	1,214,743
8,046,404	-	8,046,404
406,003	-	406,003
63,907	-	63,907
479,805	8,604	488,409
315,030	-	315,030
<u>1,636,607</u>	<u>1,418</u>	<u>1,638,025</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>19,679,223</u>	<u>10,022</u>	<u>19,689,245</u>
(5,895,771)	(331,060)	(6,226,831)
<u>194,117,601</u>	<u>1,389,558</u>	<u>195,507,159</u>
<u>\$ 188,221,830</u>	<u>\$ 1,058,498</u>	<u>\$ 189,280,328</u>

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

NORTHAMPTON TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>Park & Recreation</u>	<u>Capital Asset Fire</u>	<u>Capital Reserve</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 522,510	\$ 419,673	\$ 1,829,955	\$ -
Taxes receivable	1,832,526	19,274	-	-
Accounts receivable	371,033	3,306	-	98,788
Total Current Assets	<u>2,726,069</u>	<u>442,253</u>	<u>1,829,955</u>	<u>98,788</u>
Restricted Assets				
Cash and cash equivalents	440,132	-	-	-
Total Restricted Assets	<u>440,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 3,166,201</u>	 <u>\$ 442,253</u>	 <u>\$ 1,829,955</u>	 <u>\$ 98,788</u>
 <u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 599,626	\$ 39,825	\$ -	\$ 74,324
Escrow deposits payable	440,132	-	-	21,586
Total Liabilities	<u>1,039,758</u>	<u>39,825</u>	<u>-</u>	<u>95,910</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	36,942	14,082	-	-
Total Deferred Inflows of Resources	<u>36,942</u>	<u>14,082</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCES</u>				
Restricted for				
Public safety	157,204	-	1,829,955	-
Public works	-	-	-	-
Culture and recreation	-	388,346	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned for				
Capital projects	-	-	-	2,878
Culture and recreation	-	-	-	-
Unassigned	1,932,297	-	-	-
Total Fund Balances	<u>2,089,501</u>	<u>388,346</u>	<u>1,829,955</u>	<u>2,878</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,166,201</u>	 <u>\$ 442,253</u>	 <u>\$ 1,829,955</u>	 <u>\$ 98,788</u>

<u>GOB Fund</u>	<u>GOB Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,318,000	\$ 248,687	\$ 1,714,058	\$ 8,052,883
-	55,272	40,386	1,947,458
-	-	10,000	483,127
<u>3,318,000</u>	<u>303,959</u>	<u>1,764,444</u>	<u>10,483,468</u>
-	-	-	440,132
-	-	-	440,132
<u>\$ 3,318,000</u>	<u>\$ 303,959</u>	<u>\$ 1,764,444</u>	<u>\$ 10,923,600</u>
\$ 38,061	\$ -	\$ 74,824	\$ 826,660
-	-	49,000	510,718
<u>38,061</u>	<u>-</u>	<u>123,824</u>	<u>1,337,378</u>
-	39,385	28,773	119,182
-	39,385	28,773	119,182
-	-	34,494	2,021,653
-	-	663,825	663,825
-	-	687,066	1,075,412
-	264,574	-	264,574
3,279,939	-	-	3,279,939
-	-	-	2,878
-	-	226,462	226,462
-	-	-	1,932,297
<u>3,279,939</u>	<u>264,574</u>	<u>1,611,847</u>	<u>9,467,040</u>
<u>\$ 3,318,000</u>	<u>\$ 303,959</u>	<u>\$ 1,764,444</u>	<u>\$ 10,923,600</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, 2017

Amounts reported for governmental activities in the statement of net position (page 18)
are different because:

Total fund balances-total governmental funds (page 21-22). \$ 9,467,040

Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	\$ 329,378,288	
Accumulated depreciation	<u>(119,870,371)</u>	209,507,917

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

3,165,000

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.

119,182

Deferred inflows and outflows or resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Difference between projected and actual experience on pension plan liability	(795,268)	
Difference between projected and actual assumptions on pension plan liability	1,472,361	
Net difference between projected and actual earnings on pension plan investments	<u>(280,403)</u>	396,690

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	(20,659,737)	
Capital leases payable	(1,553,744)	
Interest payable	(46,275)	
Net pension liability	(7,454,858)	
Total post-employment benefits obligation	(1,987,970)	
Compensated absences	<u>(2,731,415)</u>	<u>(34,433,999)</u>

Net Position of governmental activities (page 18). \$ 188,221,830

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, 2017

	<u>General</u>	<u>Park & Recreation</u>	<u>Capital Asset Fire</u>	<u>Capital Reserve</u>
Revenues				
Taxes:				
Real estate	\$ 2,307,929	\$ 869,018	\$ -	\$ -
Transfer	1,214,743	-	-	-
Earned income tax	7,920,204	-	-	-
Local service tax	406,003	-	-	-
Fees, licenses and permits	1,026,500	-	-	-
Investment income and rent	327,448	76,948	11,951	999
Intergovernmental revenues	975,153	-	-	3,766
Fines and forfeitures	73,993	-	-	-
Charges for services	919,278	1,507,272	-	-
Other	419,650	7,593	250,000	296,696
Total Revenues	<u>15,590,901</u>	<u>2,460,831</u>	<u>261,951</u>	<u>301,461</u>
Expenditures				
Current:				
General government	1,819,989	-	-	35,483
Public safety	8,263,786	-	150,313	111,092
Highways and roads	2,410,930	-	-	394,829
Culture and recreation	56,732	2,309,937	-	-
Miscellaneous	2,463,832	-	-	-
Debt service:				
Principal	-	-	-	348,672
Interest	-	-	-	27,199
Total Expenditures	<u>15,015,269</u>	<u>2,309,937</u>	<u>150,313</u>	<u>917,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>575,632</u>	<u>150,894</u>	<u>111,638</u>	<u>(615,814)</u>
Other Financing Sources (Uses)				
Debt issuance	-	-	-	102,000
Transfers in	171,500	-	300,000	297,000
Transfers out	(524,000)	(50,000)	-	-
Total Other Financing Sources (Uses)	<u>(352,500)</u>	<u>(50,000)</u>	<u>300,000</u>	<u>399,000</u>
Net Change in Fund Balances	223,132	100,894	411,638	(216,814)
Fund Balance - Beginning	<u>1,866,369</u>	<u>287,452</u>	<u>1,418,317</u>	<u>219,692</u>
Fund Balance - Ending	<u>\$ 2,089,501</u>	<u>\$ 388,346</u>	<u>\$ 1,829,955</u>	<u>\$ 2,878</u>

<u>GOB Fund</u>	<u>GOB Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,492,438	\$ 1,846,882	\$ 7,516,267
-	-	-	1,214,743
-	-	-	7,920,204
-	-	-	406,003
-	-	-	1,026,500
18,441	1,797	44,844	482,428
-	-	1,556,823	2,535,742
-	-	-	73,993
-	-	132,434	2,558,984
-	-	120,553	1,094,492
<u>18,441</u>	<u>2,494,235</u>	<u>3,701,536</u>	<u>24,829,356</u>
-	18,500	-	1,873,972
-	-	388,516	8,913,707
1,659,035	-	1,357,858	5,822,652
-	-	1,266,179	3,632,848
-	-	325,816	2,789,648
-	2,025,000	179,810	2,553,482
-	398,983	16,389	442,571
<u>1,659,035</u>	<u>2,442,483</u>	<u>3,534,568</u>	<u>26,028,880</u>
<u>(1,640,594)</u>	<u>51,752</u>	<u>166,968</u>	<u>(1,199,524)</u>
-	-	363,000	465,000
20,000	-	298,500	1,087,000
-	-	(513,000)	(1,087,000)
<u>20,000</u>	<u>-</u>	<u>148,500</u>	<u>465,000</u>
(1,620,594)	51,752	315,468	(734,524)
<u>4,900,533</u>	<u>212,822</u>	<u>1,296,379</u>	<u>10,201,564</u>
<u>\$ 3,279,939</u>	<u>\$ 264,574</u>	<u>\$ 1,611,847</u>	<u>\$ 9,467,040</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, 2017

Changes in Net Position

Amounts reported for governmental activities in the statement of activities (page 19-20)
are different because:

Net change in fund balances-total governmental funds (page 24-25). \$ (734,524)

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	\$ 2,624,781	
Depreciation expense	<u>(9,103,156)</u>	(6,478,375)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (146,110)

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	(465,000)	
Capital leases	503,482	
Interest payable	38,968	
Repayment of debt	<u>2,050,000</u>	2,127,450

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	(225,049)	
Compensated absences	(368,526)	
Net OPEB Liability	<u>(77,379)</u>	(670,954)

Change in net position of governmental activities (pages 19-20). \$ (5,895,771)

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, 2017

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes:				
Real estate	\$ 2,285,000	\$ 2,285,000	\$ 2,307,929	\$ 22,929
Transfer	1,127,000	1,127,000	1,214,743	87,743
Earned income tax	7,587,500	7,587,500	7,920,204	332,704
Local service tax	368,000	368,000	406,003	38,003
Per Capita	5,000	5,000	-	(5,000)
Fees, licenses and permits	1,016,500	1,016,500	1,026,500	10,000
Interest and rent	343,500	343,500	327,448	(16,052)
Intergovernmental revenues	1,004,500	1,004,500	975,153	(29,347)
Fines and forfeitures	58,000	58,000	73,993	15,993
Charges for services	771,000	771,000	919,278	148,278
Other	428,500	428,500	419,650	(8,850)
Total Revenues	14,994,500	14,994,500	15,590,901	596,401
Expenditures				
Current:				
General government	1,661,500	1,661,500	1,819,989	158,489
Public safety	8,560,000	8,560,000	8,263,786	(296,214)
Highways and roads	2,531,500	2,531,500	2,410,930	(120,570)
Culture and recreation	48,000	48,000	56,732	8,732
Miscellaneous	2,436,000	2,436,000	2,463,832	27,832
Total Expenditures	15,237,000	15,237,000	15,015,269	(221,731)
Excess (Deficiency) of Revenues Over Expenditures	(242,500)	(242,500)	575,632	818,132
Other Financing Sources (Uses)				
Transfers in	171,500	171,500	171,500	-
Transfers out	(524,000)	(524,000)	(524,000)	-
Total Other Financing Sources (Uses)	(352,500)	(352,500)	(352,500)	-
Net Change in Fund Balances	(595,000)	(595,000)	223,132	\$ 818,132
Fund Balance, Beginning of Year	595,000	595,000	1,866,369	
Fund Balance, End of Year	\$ -	\$ -	\$ 2,089,501	

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, 2017

	PARK & RECREATION FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes	\$ 860,500	\$ 860,500	\$ 869,018	\$ 8,518
Interest and rent	49,000	49,000	76,948	27,948
Charges for services	1,538,000	1,538,000	1,507,272	(30,728)
Other	9,000	9,000	7,593	(1,407)
Total Revenues	2,456,500	2,456,500	2,460,831	4,331
Expenditures				
Current:				
Culture and recreation	2,422,000	2,422,000	2,309,937	(112,063)
Total Expenditures	2,422,000	2,422,000	2,309,937	(112,063)
Excess (Deficiency) of Revenues Over Expenditures	34,500	34,500	150,894	116,394
Other Financing Sources (Uses)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balances	(15,500)	(15,500)	100,894	\$ 116,394
Fund Balance, Beginning of Year	15,500	15,500	287,452	
Fund Balance, End of Year	\$ -	\$ -	\$ 388,346	

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

NORTHAMPTON TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2017

	Business-type Activities		
	Refuse	Street	
		Light	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 937,998	\$ -	\$ 937,998
Taxes receivable	85,215	-	85,215
Accounts receivable	305,132	4,004	309,136
Total Current Assets	\$ 1,328,345	\$ 4,004	\$ 1,332,349
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 265,615	\$ 4,871	\$ 270,486
Accrued wages	3,064	301	3,365
Total Current Liabilities	268,679	5,172	273,851
<u>NET POSITION</u>			
Restricted	1,059,666	(1,168)	1,058,498
Total Net Position	\$ 1,059,666	\$ (1,168)	\$ 1,058,498

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, 2017

	<u>Business-type Activities</u>		
	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 3,360,772	\$ 33,557	\$ 3,394,329
Other revenues	1,418	-	1,418
Total Operating Revenues	<u>3,362,190</u>	<u>33,557</u>	<u>3,395,747</u>
Operating Expenses			
Solid waste collection and disposal	3,937,984	-	3,937,984
Street light repairs	-	<u>34,300</u>	<u>34,300</u>
Total Operating Expenses	<u>3,937,984</u>	<u>34,300</u>	<u>3,972,284</u>
Operating Income (Loss)	<u>(575,794)</u>	<u>(743)</u>	<u>(576,537)</u>
Nonoperating Revenues (Expense)			
Intergovernmental revenue	236,873	-	236,873
Net earnings on investments	8,604	-	8,604
Total Nonoperating Revenues (Expenses)	<u>245,477</u>	<u>-</u>	<u>245,477</u>
Change in Net Position	(330,317)	(743)	(331,060)
Net Position - Beginning	<u>1,389,983</u>	<u>(425)</u>	<u>1,389,558</u>
Net Position - Ending	<u>\$ 1,059,666</u>	<u>\$ (1,168)</u>	<u>\$ 1,058,498</u>

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, 2017

	<u>Business-type Activities</u>		
	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 3,420,534	\$ 35,415	\$ 3,455,949
Cash paid to employees for services	(173,394)	(7,871)	(181,265)
Cash paid to suppliers for goods and services	<u>(3,774,748)</u>	<u>(27,544)</u>	<u>(3,802,292)</u>
Net cash provided by (used in) operating activities	<u>(527,608)</u>	<u>-</u>	<u>(527,608)</u>
Cash flows from non-capital financing activities			
Intergovernmental revenues	<u>236,873</u>	<u>-</u>	<u>236,873</u>
Net cash provided by (used in) non-capital financing activities	<u>236,873</u>	<u>-</u>	<u>236,873</u>
Cash flows from investing activities			
Interest and dividends on investments	<u>8,604</u>	<u>-</u>	<u>8,604</u>
Net cash provided by (used in) investing activities	<u>8,604</u>	<u>-</u>	<u>8,604</u>
Net increase (decrease) in cash and cash equivalents	(282,131)	-	(282,131)
Beginning cash and cash equivalents	<u>1,220,129</u>	<u>-</u>	<u>1,220,129</u>
Ending cash and cash equivalents	<u>\$ 937,998</u>	<u>\$ -</u>	<u>\$ 937,998</u>

**Reconciliation of Net Operating Income (Loss)
to Net Cash Provided By (Used in) Operating Activities**

Net operating income (loss)	\$ (575,794)	\$ (743)	\$ (576,537)
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	58,344	1,858	60,202
Increase (decrease) in accounts payable	(11,378)	(1,172)	(12,550)
Increase (decrease) accrued wages	1,220	57	1,277
Increase in due to/from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net adjustments	<u>48,186</u>	<u>743</u>	<u>48,929</u>
Cash provided by (used in) operating activities	<u>\$ (527,608)</u>	<u>\$ -</u>	<u>\$ (527,608)</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, 2017

	<u>Pension Trust Funds</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 1,221,336
Investments	
DROP account	265,777
US Government & agency securities	3,010,315
Bond and bond funds	8,239,679
Asset backed securities	334,589
Equities and stock funds	10,852,650
Exchange traded products	<u>12,079,531</u>
Total Investments	<u>34,782,541</u>
TOTAL ASSETS	<u>\$ 36,003,877</u>
<u>LIABILITIES</u>	
Refund of member contributions payable	<u>\$ 2,748</u>
TOTAL LIABILITIES	<u>2,748</u>
<u>NET POSITION</u>	
Restricted for pension benefits	<u>\$ 36,001,129</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, 2017

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 243,317
Employer contributions	963,048
State contributions	<u>637,767</u>
Total Contributions	<u>1,844,132</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	4,145,840
Interest and dividends	<u>65,243</u>
Total Investment Earnings	4,211,083
Less investment expense	<u>(120,249)</u>
Net Investment Earnings	<u>4,090,834</u>
Total Additions	<u>5,934,966</u>
Deductions	
Benefits	1,498,726
Actuary fees	<u>12,637</u>
Total Deductions	<u>1,511,363</u>
Change in Net Position	4,423,603
Net Position Restricted for Pension Benefits:	
Beginning of Year	<u>31,577,526</u>
End of Year	<u>\$ 36,001,129</u>

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

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, code enforcement, 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 no 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.

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.

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*.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide Financial Statements (continued)

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.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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 real estate taxes and program revenues 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.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net position or equity

1. Deposits and investments (continued)

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.

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".

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

3. Receivables and payables (continued)

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, 2017

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, 2017, the short-term liability to the Township for compensated absences representing unused vacation and sick time was \$2,731,415. 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, 2017

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:

Difference between projected and actual assumptions on pension plan liability 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.

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 the following items that qualify for reporting in this category.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

9. Deferred outflows/inflows of resources (continued)

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

Difference between projected and actual experience on pension plan liability 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.

Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2017

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, 2017

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 1st. 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, 2017, expenditures exceeded appropriation in the general fund categories of general government by \$158,489, culture & recreation by \$8,732, and miscellaneous by \$27,832. 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, 2017

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, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PRIMARY GOVERNMENT				
Cash accounts	\$ 4,051,667	\$ 4,051,667	\$ -	\$ -
Money market	266,588	266,588	-	-
Certificates of deposit	<u>5,100,000</u>	<u>5,100,000</u>	-	-
Total	\$ 9,418,255	<u>\$ 9,418,255</u>	<u>\$ -</u>	<u>\$ -</u>
PLGIT	<u>12,758</u>			
	<u>\$ 9,431,013</u>			
FIDUCIARY FUNDS				
Money market	\$ 1,221,336	\$ 1,221,336	\$ -	\$ -
US Government & agency securities	3,010,315	3,010,315	-	-
Bond and bond funds	8,239,679	8,239,679	-	-
Asset backed securities	334,589	334,589	-	-
Mutual funds	265,777	265,777	-	-
Equities and stock funds	10,852,650	10,852,650	-	-
Exchange traded products	<u>12,079,531</u>	<u>12,079,531</u>	-	-
Total Fiduciary Funds	<u>\$ 36,003,877</u>	<u>\$ 36,003,877</u>	<u>\$ -</u>	<u>\$ -</u>

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 2nd Class Township Code. As of December 31, 2017, the government's carrying amount of deposits was \$9,431,013 and the bank balance was \$10,231,602. 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 Township's cash equivalent investments in PLGIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Township's position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3. Detailed Notes on all Funds (Continued)

A. *Deposits and investments (continued)*

The Township can withdraw funds from the external investment pool without limitation or fee upon adequate notice. At year end the total of the Township balances in the PLGIT funds were \$12,637.

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:

	Fair Value	Maturities in Years			
		< 1 year	1-5 years	6-10 years	over 10 years
Fiduciary Funds					
US Government Securities	\$ 3,010,315	\$ 169,170	\$ 1,912,125	\$ 929,020	\$ -
Corporate Debt	4,916,465	660,480	3,029,579	1,225,428	978
Municipal Debt	278,441	-	177,391	101,050	-
Fixed Income Funds	3,044,773	-	2,024,830	1,019,943	-
Asset Backed Securities	334,589	-	34,797	96,649	203,143
Total Fiduciary Funds	<u>\$ 11,584,583</u>	<u>\$ 829,650</u>	<u>\$ 7,178,722</u>	<u>\$ 3,372,090</u>	<u>\$ 204,121</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:

FIDUCIARY FUNDS	Fair Value	Ratings				
		AAA	AA+/AA/AA-	A+/A/A-	BBB+/BBB/BBB-	Not rated
Corporate Bonds	\$ 4,916,465	\$ 483,158	\$ 679,392	\$ 2,774,780	\$ 947,062	\$ 32,073
Municipal Debt	278,441	-	278,441	-	-	-
Fixed Income Funds	3,044,773	-	-	-	-	3,044,773
Asset Backed Securities	334,589	151,683	-	-	-	182,906
Total Fiduciary Funds	<u>\$ 8,574,268</u>	<u>\$ 634,841</u>	<u>\$ 957,833</u>	<u>\$ 2,774,780</u>	<u>\$ 947,062</u>	<u>\$ 3,259,752</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3. Detailed Notes on all Funds (Continued)

A. *Deposits and investments (continued)*

Fiduciary Activity (Pension Funds) Investments

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, 2017, the Township has no fiduciary plan investments subject to foreign currency risk.

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, 2017 the Township's Pension Funds had the following investments in any one issuer that represent 5% or more of Fiduciary Net Position:

iShares Core S&P 500	\$ 6,097,249
Vanguard Index Midcap	\$ 1,845,287

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3. Detailed Notes on all Funds (Continued)

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 & Recreation</u>	<u>Capital Reserve</u>	<u>GOB Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Refuse</u>	<u>Street Light</u>	<u>Total</u>
Receivables:								
Taxes	\$ 1,832,526	\$ 19,274	\$ -	\$ 55,272	\$ 40,386	\$ 85,215	\$ -	\$ 2,032,673
Accounts	<u>371,033</u>	<u>3,306</u>	<u>98,788</u>	<u>-</u>	<u>10,000</u>	<u>305,132</u>	<u>4,004</u>	<u>792,263</u>
Total Receivables	<u>\$ 2,203,559</u>	<u>\$ 22,580</u>	<u>\$ 98,788</u>	<u>\$ 55,272</u>	<u>\$ 50,386</u>	<u>\$ 390,347</u>	<u>\$ 4,004</u>	<u>\$ 2,824,936</u>

In 2010, the Township amended an agreement from 2002 from the sale of a Township property. The agreement with Giaino Brothers of Richboro was for \$271,350 at interest rate 6.0%. Payments were to be made monthly at \$3,013 with a final balloon payment on November 1, 2013. The collectability of the amount is in doubt and at December 31, 2017 an allowance for doubtful accounts was established for \$204,728 which includes unpaid and accrued interest.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3. Detailed Notes on all Funds (Continued)

C. Capital assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning			Ending
Government-type activities:	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Consturction in progress	-	<u>2,085,492</u>	-	<u>2,085,492</u>
Total capital assets, not being depreciated	<u>20,000</u>	<u>2,085,492</u>	<u>-</u>	<u>2,105,492</u>
Capital assets, being depreciated:				
Land improvements	4,233,611	-	-	4,233,611
Buildings and improvements	17,468,915	-	-	17,468,915
Vehicles and equipment	7,883,487	539,289	(185,524)	8,237,252
Library	79,590	-	-	79,590
Infrastructure	<u>297,253,428</u>	<u>-</u>	<u>-</u>	<u>297,253,428</u>
Total capital assets, being depreciated	<u>326,919,031</u>	<u>539,289</u>	<u>(185,524)</u>	<u>327,272,796</u>
Less accumulated depreciation for:				
Land improvements	1,113,896	94,081	-	1,207,977
Buildings and improvements	6,765,133	403,301	-	7,168,434
Vehicles and equipment	4,834,231	565,750	(185,524)	5,214,457
Library	65,651	1,190	-	66,841
Infrastructure	<u>98,173,828</u>	<u>8,038,834</u>	<u>-</u>	<u>106,212,662</u>
Total accumulated depreciation	<u>110,952,739</u>	<u>9,103,156</u>	<u>(185,524)</u>	<u>119,870,371</u>
Total capital assets, being depreciated, net	<u>215,966,292</u>	<u>(8,563,867)</u>	<u>-</u>	<u>207,402,425</u>
Total Government Type Capital Assets	<u>\$ 215,986,292</u>	<u>\$ (6,478,375)</u>	<u>\$ -</u>	<u>\$ 209,507,917</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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	\$	83,475
Public Safety		338,760
Public Works		8,278,637
Culture and Recreation		<u>402,284</u>
Total Depreciation Expense - Governmental Activities	\$	<u>9,103,156</u>

D. Interfund receivables, payables, and transfers

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, 2017, consisted of the following amounts:

	Transfers from <u>Other Funds</u>	Transfers to <u>Other Funds</u>
General	\$ 171,500	\$ 524,000
Park & Recreation	-	50,000
Capital Asset Fire	300,000	-
Capital Reserve	297,000	-
GOB Fund	20,000	-
Nonmajor Funds	<u>298,500</u>	<u>513,000</u>
Total	<u>\$ 1,087,000</u>	<u>\$ 1,087,000</u>

Interfund transfers are primarily the result of:

- (1) Reimbursement of expenses
- (2) Saving for future capital projects

NORTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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>(1,508,864)</u>
Total	<u>\$ 1,825,436</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

<u>Year Ending Dec 31</u>	<u>Governmental Activities</u>
2018	\$ 517,132
2019	424,907
2020	334,278
2021	168,087
2022	112,197
2023	<u>70,433</u>
Total minimum lease payments	1,627,034
Less: amounts representing interest	<u>73,290</u>
Present value of minimum lease payments	<u>\$ 1,553,744</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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>\$ 21,175,000</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>
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	1,490,000	544,900
2023-2035	<u>12,320,000</u>	<u>3,899,497</u>
	<u>\$ 21,175,000</u>	<u>\$ 7,399,317</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017 was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental Activities:					
General obligation bonds	\$ 23,225,000	\$ -	\$ 2,050,000	\$ 21,175,000	\$ 1,985,000
Deferred amounts:					
For issuance premiums	(720,543)	-	(42,384)	(678,159)	\$ -
For issuance discounts	212,023	-	49,127	162,896	-
Total bonds payable	22,716,480	-	2,056,743	20,659,737	1,985,000
Capital leases	1,592,226	465,000	503,482	1,553,744	487,341
Net pension liability	8,647,972	3,917,854	5,110,968	7,454,858	-
Net OPEB obligation	1,910,591	77,379	-	1,987,970	-
Compensated absences	2,362,889	513,526	145,000	2,731,415	125,000
Governmental Activities					
Long-Term Liabilities	<u>\$ 37,230,158</u>	<u>\$ 4,973,759</u>	<u>\$ 7,816,193</u>	<u>\$ 34,387,724</u>	<u>\$ 2,597,341</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, 2017, the principal amount of the bonds outstanding but considered defeased totaled approximately \$10,340,000. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2017.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017 was \$109,040. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2017 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Northampton's share was \$91,935.

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, 2017 was \$421,485. The Trust declared a dividend in 2017. Northampton Township's share of the dividend distribution was \$39,620. As the result of the 2017 payroll audit, Northampton Township received an additional \$28,755. At December 31, 2017, there were no additional assessments due or anticipated. Instead, an audit of the reported 2017 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, 2017

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, 2017. 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 Fidelity Investments, 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, 2017

NOTE 4. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Plan Membership

At December 31, 2017, Northampton Township Pension Plans consisted of the following:

	<u>Police</u>	<u>Non- Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits	35	28
Inactive employees entitled to benefits but not yet receiving them	4	19
Active employees	<u>42</u>	<u>56</u>
	<u>81</u>	<u>103</u>

Four employees are in the DROP plan.

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 55 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. If hired before January 1, 1992, an employee can retire after age 50. 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, 2017

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, 2017

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 2017. For Non-uniform, no member contributions were required in 2017. 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, 2017

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 \$637,767 for the pensions for the year ended December 31, 2017.

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, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 13.62% for Police and 13.2% 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, 2017

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, 2017 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 27,195,926	\$ 16,260,061
Plan fiduciary net position	<u>(23,574,862)</u>	<u>(12,426,267)</u>
Net pension liability	<u>\$ 3,621,064</u>	<u>\$ 3,833,794</u>
Plan fiduciary net position as a percentage of the total pension liability	86.7%	76.4%

Actuarial Assumptions: The total pension liability in the January 1, 2017 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-2014 mortality with 50% Blue Collar adjustment and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions..

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The net pension liability for the Plans was measured as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017

NOTE 4. Other Information (Continued)

C. Employee retirement systems and pension plans (continued)

Net Pension Liability (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Police Pension Plan</u>			
Balance at December 31, 2016	\$ 25,596,535	\$ 20,807,872	\$ 4,788,663
Changes for the year:			
Service cost	494,161	-	494,161
Interest	1,933,198	-	1,933,198
Change of benefit terms	-	-	-
Differences between expected and actual experience	(571,070)	-	(571,070)
Change of assumptions	751,373	-	751,373
Contributions - employer	-	833,727	(833,727)
Contributions - employee	-	208,622	(208,622)
Net investment income	-	2,819,161	(2,819,161)
Benefit payments, including refunds of employee contributions	(1,008,271)	(1,008,271)	-
Administrative expense	-	(86,249)	86,249
Other changes	-	-	-
Net Changes	1,599,391	2,766,990	(1,167,599)
Balance at December 31, 2017	\$ 27,195,926	\$ 23,574,862	\$ 3,621,064

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2016	\$ 14,627,385	\$ 10,768,076	\$ 3,859,309
Changes for the year:			
Service cost	338,654	-	338,654
Interest	1,151,841	-	1,151,841
Change of benefit terms	-	-	-
Differences between expected and actual experience	(379,098)	-	(379,098)
Change of assumptions	1,011,734	-	1,011,734
Contributions - employer	-	767,088	(767,088)
Contributions - employee	-	-	-
Net investment income	-	1,428,195	(1,428,195)
Benefit payments, including refunds of employee contributions	(490,455)	(490,455)	-
Administrative expense	-	(46,637)	46,637
Other changes	-	-	-
Net Changes	1,632,676	1,658,191	(25,515)
Balance at December 31, 2017	\$ 16,260,061	\$ 12,426,267	\$ 3,833,794

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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	\$ 7,001,989	\$ 3,621,064	\$ 812,626
Non-uniformed	5,755,992	3,833,794	2,199,198

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2017, the Township recognized pension expense of \$918,442 for Police Pension and \$907,422 for Non-Uniformed Pension. At December 31, 2017, 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	\$ -	\$ 480,424
Changes in assumptions	632,107	-
Net difference between projected and actual earnings on pension plan investments	-	207,031
Total	<u>\$ 632,107</u>	<u>\$ 687,455</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 314,844
Changes in assumptions	840,254	-
Net difference between projected and actual earnings on pension plan investments	-	73,372
Total	<u>\$ 840,254</u>	<u>\$ 388,216</u>

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4. Other Information (Continued)

C. Employee retirement systems and pension plans (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 December 31:	<u>Police</u>	<u>Non-Uniformed</u>
2018	\$ 169,097	\$ 184,574
2019	169,096	184,576
2020	(206,660)	1,939
2021	(224,084)	(15,557)
2022	28,620	96,506
Thereafter	8,583	-
Total	<u>\$ (55,348)</u>	<u>\$ 452,038</u>

Payable to the Pension Plan: For the year ended December 31, 2017, 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, 2017, the DROP account balance of \$265,777 is held by the plan pursuant to the DROP.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4. Other information (Continued)

D. Other postemployment benefit plans

Description of the Police OPEB Plan

The Township administers a single employer defined benefit plan to provide for certain postretirement healthcare benefits for the police. The OPEB Plan is governed by the Board of Supervisors.

The plan is administered by the Township. As of December 31, 2017, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GAS Statement No. 75. The most recent valuation was as of January 1, 2017. Details below are from the valuation.

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 plan does not issue a stand-alone financial report.

Benefits Provided

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.

Funding Policy

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. There are no legal or contractual requirements for employer contributions to the plan.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4. Other Information (Continued)

D. Other postemployment benefit plans (continued)

Employees Covered by Benefit Terms

As of December 31, 2017, the most recent actuarial valuation, plan membership is as follows:

	<u>OPEB</u>
Inactive employees (or their beneficiaries) currently receiving benefits	3
Inactive employees entitled to benefits but not yet receiving them	0
Active employees	<u>41</u>
	<u>44</u>

The Township's total OPEB liability of \$1,987,970 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation and salary	2.75%
Investment Rate of Return	3.75%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Med 3.6% increasing to 5% in 2018 and later years; Rx 10% for 2017, decreasing .5% to .75% per year to an ultimate rate of 5% for 2026 and later years; Dental -4% for 2017, and 3% for 2018 and later years
Pension Retirement Age	If hired before January 1, 1992, the later of age 51 or completion of 26 years of service. If hired on or after January 1, 1992, the later of age 55 or 26 years of service

The discount rate was based on the high quality long-term municipal bond rate published by the Federal Reserve as of the valuation date.

Mortality rates were based on the RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled lives.

The actuarial assumptions used in the January 1, 2017 valuation were updated to comply with GASB Statement No. 75. The discount rate decreased from 4.5% in 2016 to 3.75% in 2017. There were no benefit changes since the valuation date.

NORTHAMPTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4. Other Information (Continued)

D. Other postemployment benefit plans (continued)

Change in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
<u>OPEB Plan</u>	
Balance at December 31, 2016	\$ 1,910,591
Changes for the year:	
Service cost	108,773
Interest	73,772
Benefit payments, including refunds of employee contributions	<u>(105,166)</u>
Net Changes	<u>77,379</u>
Balance at December 31, 2017	<u>\$ 1,987,970</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the total OPEB liability calculated using the discount rate of 3.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.75 percent) or one percentage point higher (4.75 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	<u>(2.75%)</u>	<u>Rate (3.75%)</u>	<u>(4.75%)</u>
Total OPEB liability \$	2,079,776	\$ 1,987,970	\$ 1,756,422

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4. Other Information (Continued)

D. Other postemployment benefit plans (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.6 percent increasing to 5 percent) or one percentage point higher (4.6 percent increasing to 6 percent) than the current healthcare cost trend rates:

	Valuation <u>Rates -1%</u>	Valuation <u>Rates</u>	Valuation <u>Rates +1%</u>
Total OPEB liability \$	1,795,354	\$ 1,987,970	\$ 2,214,164

The schedules of changes in the OPEB liability are presented as required supplementary information ("RSI") following the notes to the financial statements.

For the year ended December 31, 2017, the Township recognized OPEB expense of \$182,545. At December 31, 2017, there were no deferred outflows and inflows of resources related to OPEB.

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, 2017, \$440,132 represents the balance of these monies held in escrow.

NORTHAMPTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4. Other information (Continued)

F. New Accounting Pronouncements

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This Statement is effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) that are included in the general purpose external financial reports of governmental entities. The implementation of this Statement had no effect on the balances in the financial statements.

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal years beginning after June 15, 2017, earlier implementation is encouraged. The objective of this Statement is to improve accounting and financial reporting by local governments for postemployment benefits other than pensions. This statement modifies the accounting for the Township's other postemployment benefit plan. The Township early implemented GASB Statement No. 75 for the year ended December 31, 2017, as a result, the beginning governmental activities net position has been restated.

	Governmental <u>Activities</u>
Net position as previously reported, December 31, 2016	\$ 194,328,323
OPEB liability - Implementation of GASB 75	<u>(210,722)</u>
Net position as restated, December 31, 2016	<u>\$ 194,117,601</u>

G. 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, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 494,161	\$ 477,534	\$ 487,208	\$ 540,849
Interest	1,933,198	1,821,268	1,728,973	1,706,486
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(571,070)	-	-	(989,104)
Changes of assumptions	751,373	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,008,271)</u>	<u>(998,558)</u>	<u>(954,062)</u>	<u>(857,230)</u>
Net change in total pension liability	1,599,391	1,300,244	1,262,119	401,001
Total pension liability - beginning	<u>25,596,535</u>	<u>24,296,291</u>	<u>23,034,172</u>	<u>22,633,171</u>
Total pension liability - ending (a)	<u>\$ 27,195,926</u>	<u>\$ 25,596,535</u>	<u>\$ 24,296,291</u>	<u>\$ 23,034,172</u>
Plan fiduciary net position				
Contributions - employer	\$ 833,727	\$ 861,904	\$ 935,752	\$ 888,000
Contributions - employee	208,622	202,677	210,328	199,170
Net investment income	2,819,161	1,375,025	(397,947)	703,085
Benefit payments, including refunds of employee contributions	(1,008,271)	(998,558)	(954,062)	(857,230)
Administrative expense	(86,249)	(70,546)	(76,228)	(6,519)
Other	-	-	-	-
Net change in plan fiduciary net position	2,766,990	1,370,502	(282,157)	926,506
Plan fiduciary net position - beginning	<u>20,807,872</u>	<u>19,437,370</u>	<u>19,719,527</u>	<u>18,793,021</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,574,862</u>	<u>\$ 20,807,872</u>	<u>\$ 19,437,370</u>	<u>\$ 19,719,527</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 3,621,064</u>	<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	86.7%	81.3%	80.0%	85.6%
Covered-employee payroll	\$ 4,205,973	\$ 3,989,739	\$ 4,079,367	\$ 3,818,254
Net pension liability as a percentage of covered payroll	86.1%	120.0%	119.1%	86.8%
Annual money-weighted return, net of investment expenses	13.62%	7.04%	-2.02%	4.14%

Notes to Schedule:

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

Change in assumptions: Mortality assumption updated from RP-2000 Combined Health mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions

Disability assumption updated from 60% of the rates from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projection of disability incidence.

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, 2017

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
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%
2017	833,727	833,727	-	4,205,973	19.8%

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	11 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

Change in assumptions: Mortality assumption updated from RP-2000 Combined Health mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions

Disability assumption updated from 60% of the rates from Advanced Pension Tables to rates based on the Social Security Administration's 2010 projection of disability incidence.

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

NORTHAMPTON TOWNSHIP

Required Supplemental Information - Non-Uniformed Employees Pension Plan

For the Year Ended December 31, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 338,654	\$ 335,522	\$ 341,598	\$ 321,375
Interest	1,151,841	1,036,959	972,524	908,895
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(379,098)	-	-	19,124
Changes of assumptions	1,011,734	-	-	-
Benefit payments, including refunds of employee contributions	<u>(490,455)</u>	<u>(463,034)</u>	<u>(435,288)</u>	<u>(407,680)</u>
Net change in total pension liability	1,632,676	909,447	878,834	841,714
Total pension liability - beginning	<u>14,627,385</u>	<u>13,717,938</u>	<u>12,839,104</u>	<u>11,997,390</u>
Total pension liability - ending (a)	<u>16,260,061</u>	<u>\$ 14,627,385</u>	<u>\$ 13,717,938</u>	<u>\$ 12,839,104</u>
Plan fiduciary net position				
Contributions - employer	\$ 767,088	\$ 801,499	\$ 780,088	\$ 742,000
Contributions - employee	-	-	-	-
Net investment income	1,428,195	660,603	(189,522)	332,310
Benefit payments, including refunds of employee contributions	(490,455)	(463,034)	(435,288)	(407,680)
Administrative expense	(46,637)	(36,810)	(43,739)	(6,488)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,658,191	962,258	111,539	660,142
Plan fiduciary net position - beginning	<u>10,768,076</u>	<u>9,805,818</u>	<u>9,694,279</u>	<u>9,034,137</u>
Plan fiduciary net position - ending (b)	<u>12,426,267</u>	<u>\$ 10,768,076</u>	<u>\$ 9,805,818</u>	<u>\$ 9,694,279</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 3,833,794</u>	<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	76.4%	73.6%	71.5%	75.5%
Covered-employee payroll	\$ 3,743,396	\$ 3,721,891	\$ 4,034,906	\$ 3,941,799
Net pension liability as a percentage of covered payroll	102.4%	103.7%	97.0%	79.8%
Annual money-weighted return, net of investment expenses	13.2%	6.64%	-1.97%	4.05%

Notes to Schedule:

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

Change in assumptions: Mortality assumption updated from RP-2000 Combined Health mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions

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, 2017

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
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%
2017	767,088	767,088	-	3,743,396	20.5%

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	11 years aggregate
Asset valuation method	4-year smoothing
Inflation	3%
Projected salary increases	5%, 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 1/1/15

Change in assumptions: Mortality assumption updated from RP-2000 Combined Health mortality with Blue to RP-2014 mortality with mortality improvement based on the Social Security Administration's 2015 Dem (1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

NORTHAMPTON TOWNSHIP

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS,- POLICE OPEB PLAN

For the Year Ended December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 108,773
Interest	73,772
Benefit payments, including refunds of employee contributions	<u>(105,166)</u>
Net change in total OPEB liability	77,379
Total OPEB liability - beginning	<u>1,910,591</u>
Total OPEB liability - ending	<u>\$ 1,987,970</u>

Covered-employee payroll \$ 3,989,739

Total OPEB liability as a percentage of covered payroll 49.8%

Notes to Schedule:

Change in benefit terms: Changed plan offering from a choice of HMO or PPO plan to a high deductible health plan

Assumption changes: Interest rate decreased from 4.5% to 3.75% in 2017

The mortality table and healthcare cost trend rates were updated.

Note on Cumulative Information:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Combining and Individual Fund Statements and Schedules

NORTHAMPTON TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	Special Revenue Funds					Total
	Ambulance Squad	Fire Protection	Library	Senior Center	Highway Aid Fund	
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 2,411	\$ 4,053	\$ 109,679	\$ 126,535	\$ 666,849	\$ 909,527
Taxes receivable	1,626	13,505	20,560	-	-	35,691
Accounts receivable	-	-	-	-	-	-
	\$ 4,037	\$ 17,558	\$ 130,239	\$ 126,535	\$ 666,849	\$ 945,218
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ 43,614	\$ 10,431	\$ 3,356	\$ 57,401
Deposits	-	-	-	-	-	-
Total Liabilities	-	-	43,614	10,431	3,356	57,401
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	1,157	9,623	14,650	-	-	25,430
Total Deferred Inflows of Resources	1,157	9,623	14,650	-	-	25,430
<u>FUND BALANCES</u>						
Restricted for						
Public safety	2,880	7,935	-	-	-	10,815
Public works	-	-	-	-	663,493	663,493
Culture and recreation	-	-	71,975	-	-	71,975
Assigned for						
Culture and recreation	-	-	-	116,104	-	116,104
Total Fund Balances	2,880	7,935	71,975	116,104	663,493	862,387
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,037	\$ 17,558	\$ 130,239	\$ 126,535	\$ 666,849	\$ 945,218

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
\$ 576,272	\$ 18,386	\$ -	\$ 93,256	\$ 110,358	\$ 6,259	\$ 1,714,058
-	-	4,695	-	-	-	40,386
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<u>\$ 586,272</u>	<u>\$ 18,386</u>	<u>\$ 4,695</u>	<u>\$ 93,256</u>	<u>\$ 110,358</u>	<u>\$ 6,259</u>	<u>\$ 1,764,444</u>
\$ 15,109	\$ 966	\$ 1,020	\$ 328	\$ -	\$ -	\$ 74,824
<u>49,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,000</u>
<u>64,109</u>	<u>966</u>	<u>1,020</u>	<u>328</u>	<u>-</u>	<u>-</u>	<u>123,824</u>
-	-	3,343	-	-	-	28,773
-	-	3,343	-	-	-	28,773
-	17,420	-	-	-	6,259	34,494
-	-	332	-	-	-	663,825
522,163	-	-	92,928	-	-	687,066
-	-	-	-	110,358	-	226,462
<u>522,163</u>	<u>17,420</u>	<u>332</u>	<u>92,928</u>	<u>110,358</u>	<u>6,259</u>	<u>1,611,847</u>
<u>\$ 586,272</u>	<u>\$ 18,386</u>	<u>\$ 4,695</u>	<u>\$ 93,256</u>	<u>\$ 110,358</u>	<u>\$ 6,259</u>	<u>\$ 1,764,444</u>

NORTHAMPTON TOWNSHIP

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

For the Year Ended December 31, 2017

	Special Revenue Funds					Total
	Ambulance Squad	Fire Protection	Library	Senior Center	Highway Aid Fund	
Revenues						
Property taxes	\$ 73,216	\$ 608,956	\$ 953,133	\$ -	\$ -	\$ 1,635,305
Investment income and rent	42	414	5,067	28,856	5,538	39,917
Intergovernmental revenue	-	-	118,000	24,453	1,284,370	1,426,823
Charges for services	-	-	36,685	57,843	37,906	132,434
Other	-	-	-	810	777	1,587
Total Revenues	<u>73,258</u>	<u>609,370</u>	<u>1,112,885</u>	<u>111,962</u>	<u>1,328,591</u>	<u>3,236,066</u>
Expenditures						
Current:						
Public safety	70,504	318,012	-	-	-	388,516
Highways and roads	-	-	-	-	875,488	875,488
Culture and recreation	-	-	1,110,694	-	-	1,110,694
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	325,816	-	325,816
Total Expenditures	<u>70,504</u>	<u>318,012</u>	<u>1,110,694</u>	<u>325,816</u>	<u>875,488</u>	<u>2,700,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,754</u>	<u>291,358</u>	<u>2,191</u>	<u>(213,854)</u>	<u>453,103</u>	<u>535,552</u>
Other Financing Sources (Uses)						
Debt issuance	-	-	-	-	-	-
Transfers in	-	-	-	227,000	-	227,000
Transfers out	(1,500)	(300,000)	-	(20,000)	(171,500)	(493,000)
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>(300,000)</u>	<u>-</u>	<u>207,000</u>	<u>(171,500)</u>	<u>(266,000)</u>
Net Change in Fund Balances	1,254	(8,642)	2,191	(6,854)	281,603	269,552
Fund Balance - Beginning	<u>1,626</u>	<u>16,577</u>	<u>69,784</u>	<u>122,958</u>	<u>381,890</u>	<u>592,835</u>
Fund Balance - Ending	<u>\$ 2,880</u>	<u>\$ 7,935</u>	<u>\$ 71,975</u>	<u>\$ 116,104</u>	<u>\$ 663,493</u>	<u>\$ 862,387</u>

Capital Projects Funds						Total Nonmajor Governmental Funds
Capital Asset Recreation	Treasury & Justice	Capital Road Equipment	Capital Asset Library	Capital Asset Senior Ctr	Capital Asset Rescue	
\$ -	\$ -	\$ 211,577	\$ -	\$ -	\$ -	\$ 1,846,882
3,066	143	215	640	822	41	44,844
130,000	-	-	-	-	-	1,556,823
-	-	-	-	-	-	132,434
117,887	-	-	810	269	-	120,553
<u>250,953</u>	<u>143</u>	<u>211,792</u>	<u>1,450</u>	<u>1,091</u>	<u>41</u>	<u>3,701,536</u>
-	-	-	-	-	-	388,516
-	9,337	473,033	-	-	-	1,357,858
116,524	-	-	1,989	36,972	-	1,266,179
36,818	-	142,992	-	-	-	179,810
1,638	-	14,751	-	-	-	16,389
-	-	-	-	-	-	325,816
<u>154,980</u>	<u>9,337</u>	<u>630,776</u>	<u>1,989</u>	<u>36,972</u>	<u>-</u>	<u>3,534,568</u>
<u>95,973</u>	<u>(9,194)</u>	<u>(418,984)</u>	<u>(539)</u>	<u>(35,881)</u>	<u>41</u>	<u>166,968</u>
-	-	363,000	-	-	-	363,000
50,000	-	-	-	20,000	1,500	298,500
(20,000)	-	-	-	-	-	(513,000)
<u>30,000</u>	<u>-</u>	<u>363,000</u>	<u>-</u>	<u>20,000</u>	<u>1,500</u>	<u>148,500</u>
125,973	(9,194)	(55,984)	(539)	(15,881)	1,541	315,468
396,190	26,614	56,316	93,467	126,239	4,718	1,296,379
<u>\$ 522,163</u>	<u>\$ 17,420</u>	<u>\$ 332</u>	<u>\$ 92,928</u>	<u>\$ 110,358</u>	<u>\$ 6,259</u>	<u>\$ 1,611,847</u>

NORTHAMPTON TOWNSHIP

COMBINING STATEMENT OF NET POSITION -
FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	<u>Pension Trust Funds</u>		Total
	<u>Police</u>	<u>Non-Uniform</u>	Fiduciary
	<u>Pension</u>	<u>Pension</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 596,110	\$ 625,226	\$ 1,221,336
Investments			
DROP account	265,777	-	265,777
US Government & agency securities	1,917,117	1,093,198	3,010,315
Bond and bond funds	5,510,898	2,728,781	8,239,679
Asset backed securities	204,311	130,278	334,589
Equities and stock funds	7,139,691	3,712,959	10,852,650
Exchange traded products	7,942,536	4,136,995	12,079,531
Total Investments	<u>22,980,330</u>	<u>11,802,211</u>	<u>34,782,541</u>
 TOTAL ASSETS	 <u>23,576,440</u>	 <u>12,427,437</u>	 <u>36,003,877</u>
 <u>LIABILITIES</u>			
Refund of member contributions payable	<u>1,578</u>	<u>1,170</u>	<u>2,748</u>
TOTAL LIABILITIES	<u>1,578</u>	<u>1,170</u>	<u>2,748</u>
 <u>NET POSITION</u>			
Restricted for Pension Benefits	<u>\$ 23,574,862</u>	<u>\$ 12,426,267</u>	<u>\$ 36,001,129</u>

NORTHAMPTON TOWNSHIP

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

For the Year Ended December 31, 2017

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Non-Uniform</u>	<u>Fiduciary</u>
Additions	<u>Pension</u>	<u>Pension</u>	<u>Funds</u>
Contributions			
Member contributions	\$ 243,317	\$ -	\$ 243,317
Employer contributions	501,569	461,479	963,048
State contributions	332,158	305,609	637,767
Total Contributions	<u>1,077,044</u>	<u>767,088</u>	<u>1,844,132</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	2,741,012	1,404,828	4,145,840
Interest and dividends	<u>41,876</u>	<u>23,367</u>	<u>65,243</u>
Total Investment Earnings	2,782,888	1,428,195	4,211,083
Less investment expense	<u>(78,754)</u>	<u>(41,495)</u>	<u>(120,249)</u>
Net Investment Earnings	<u>2,704,134</u>	<u>1,386,700</u>	<u>4,090,834</u>
Total Additions	<u>3,781,178</u>	<u>2,153,788</u>	<u>5,934,966</u>
Deductions			
Benefits	1,008,271	490,455	1,498,726
Actuary fees	<u>7,495</u>	<u>5,142</u>	<u>12,637</u>
Total Deductions	<u>1,015,766</u>	<u>495,597</u>	<u>1,511,363</u>
Change in Net Assets	2,765,412	1,658,191	4,423,603
Net Position Restricted for Pension Benefits:			
Beginning of Year	<u>20,809,450</u>	<u>10,768,076</u>	<u>31,577,526</u>
End of Year	<u>\$ 23,574,862</u>	<u>\$ 12,426,267</u>	<u>\$ 36,001,129</u>