

**SOLEBURY TOWNSHIP, PENNSYLVANIA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Solebury Township, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solebury Township, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the entity's 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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Solebury Township as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

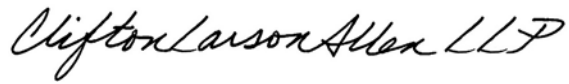
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in employer's net pension liability and related ratios, schedules of employer contributions, investment returns and employers net pension liability, and budgetary comparison information on pages 4-12, 52-57, and 58-59 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 Solebury Township's basic financial statements. The combining nonmajor fund financial statements and schedules and budgetary comparison information on pages 61-74 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Supervisors  
Solebury Township, Pennsylvania

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
April 5, 2017

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

This discussion and analysis of Solebury Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Township's financial statements that begin on page 13.

**FINANCIAL HIGHLIGHTS**

- Solebury Township had a fiscally sound year, reflecting a slow growth economy and continued focus on expense control.
- Overall revenues increased by 6.7%, primarily in Earned Income Tax (7%), Real Estate Transfer Tax (14.8%) and Charges for Services (15.7% – excluding a one-time receipt into the Natural Resources Fund).
- The General Fund Reserve Balance increased 25% to \$2.7 million. In addition, the Township increased its Capital Reserve Balance from 4% to \$1.24 million, despite utilizing \$400,000 to fund a capital project.
- The Township refinanced some of its existing debt in 2015 to realize lower interest rates. The final draw of \$850,000 on the refinancing was taken in 2016 and used to complete the Public Works Facility and begin the Salt Storage Building which is slated for completing in 2017. These infrastructure investments have an estimated useful life of 50 years.
- During 2016, both Moody's and Standard & Poor's affirmed the Township's rating of Aa2 and AA+ with a stable outlook, respectively. These ratings reflect the consistent growth of the General Fund Balance over the last five years, the avoidance of an economic recession, and the Township's financial discipline to control costs and maintain financial and capital reserves and appropriate liquidity levels.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the General Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's presentation of its financial statements.

**Report Components**

This annual report consists of five parts as follows:

**Government-Wide Financial Statements:** Government-wide financial statements (starting on page 13) are designed to provide readers with a broad overview of Solebury 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Township is improving or deteriorating.



**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**USING THIS ANNUAL REPORT (CONTINUED)**

**Report Components (Continued)**

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave time.)

**Fund Financial Statements:** Fund financial statements (starting on page 15) focus on the individual parts of the Township government. Governmental fund financial statements are presented on the modified accrual basis and provide information about the Township's most significant (major) funds. These statements demonstrate how these services were financed in the short term as well as what remains for future spending. Fiduciary fund financial statements are presented on the accrual basis.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and detail.

**Required Supplementary Information:** The Management's Discussion and Analysis and the information concerning the Township's schedules of changes in pension liabilities and employer contributions and investment returns, and the General Fund and Major Special Revenue Fund Budgetary Comparison Schedules (found on pages 51 through 59) represent financial information required by GASB. Such information provides additional data that supplements the entity-wide and fund financial statements and notes (referred to as the basic financial statements).

**Other Supplementary Information:** This part of the annual report (starting on page 60) includes optional financial information such as fund budgetary comparison schedules and combining statements for nonmajor funds (which are shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

**Basis of Accounting**

**Government-Wide Financial Statements**

Government-wide financial statements are highly aggregated financial statements that present financial information for all assets (including infrastructure capital assets), deferred outflows of resources, liabilities, deferred inflows of resources, and net position of a primary government, except for fiduciary funds. Government-wide financial statements use the economic resource measurement focus and accrual basis accounting. These financial statements are designed to help users assess the finances of the government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current-year services. They also are designed to help users assess the cost of providing services to the citizenry, determine how the government finances its programs – through user fees and other program revenues versus general tax revenues, understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets, and make better comparisons between governments.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**Basis of Accounting (Continued)**

**Fund Financial Statements**

The fund financial statements provide a detailed look at the Township's most significant funds. 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. Solebury Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Solebury Township can be divided into two categories: Governmental funds and Fiduciary funds.

**Reporting the Township's Most Significant Funds**

**The Fund Financial Statements**

The fund financial statements begin on page 15 and provide detailed information about the most significant funds rather than the Township as a whole. Some funds are required to be established by State law. The Board of Supervisors establishes certain other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies.

**Governmental Funds**

All of the Township's basic services are reported in Governmental funds, which 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. Governmental funds are reported using an accounting method called *modified accrual accounting*. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and liability balances. The Governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The Township considers the General, Land Preservation, Debt Service, Roads and Bridges, Natural Resources, Capital Reserve, and Capital Projects Funds to be its significant or major Governmental funds. All other Governmental funds are aggregated in a single column entitled nonmajor funds.

**Fiduciary Funds**

The Township currently has three Fiduciary funds: The Police Pension Fund, the Escrow Agency Fund and the Sports Organizations Agency Fund. *Fiduciary funds* are used to account for assets that are held in a trustee or fiduciary capacity and are reported using accrual accounting.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**  
**(Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 – Solebury Township's Net Position

	2016	2015
Current and Other Assets	\$ 9,206,549	\$ 9,234,626
Capital Assets	<u>46,383,085</u>	<u>45,502,987</u>
Total Assets	55,589,634	54,737,613
Deferred Charge on Refunding	16,110	17,900
Deferred Outflows from Pension	<u>788,672</u>	<u>742,139</u>
Total Deferred Outflows of Resources	804,782	760,039
Current Liabilities	770,438	673,576
Noncurrent Liabilities	<u>26,699,145</u>	<u>28,972,409</u>
Total Liabilities	<u>27,469,583</u>	<u>29,645,985</u>
Deferred Inflows from Pension	<u>1,004,408</u>	<u>564,050</u>
Total Deferred Inflows of Resources	1,004,408	564,050
Net Position		
Net Investment in Capital Assets	20,869,260	18,304,356
Restricted	3,432,476	3,544,063
Unrestricted	<u>3,618,689</u>	<u>3,439,198</u>
Total Net Position	<u><u>\$ 27,920,425</u></u>	<u><u>\$ 25,287,617</u></u>

The Township's net position increased for a fifth consecutive year. The net increase of \$2,571,707 is a result of the Township's investment in capital assets, specifically the completion of the Public Works Facility, and a reduction the Township's debt, coupled with increased tax revenue.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**  
**(Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Table 2 – Solebury Township's Change in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,031,125	\$ 602,350
Operating Grants and Contributions	798,366	652,499
Capital Grants and Contributions	179,948	270,651
General Revenues:		
Real Estate Taxes	5,409,923	5,481,187
Real Estate Transfer Taxes	649,774	565,662
Earned Income Taxes	2,925,785	2,733,480
Interest and Rents	56,435	52,686
Total Revenues	<u>11,051,356</u>	<u>10,358,515</u>
Expenses:		
General Government	1,588,433	1,393,487
Public Safety	3,714,568	3,644,830
Public Works	1,631,892	1,571,408
Culture and Recreation	547,624	674,118
Preservation of Natural Resources	302,834	664,236
Interest on Long-Term Debt	633,197	925,905
Total Expenses	<u>8,418,548</u>	<u>8,873,984</u>
Change in Net Position	2,632,808	1,484,531
Net Position - Beginning of Year	<u>25,287,617</u>	<u>23,803,086</u>
Net Position - End of Year	<u><u>\$ 27,920,425</u></u>	<u><u>\$ 25,287,617</u></u>

The overall net position of the Township increased \$2.6 million from the prior year due to reasons already discussed. Several aspects of the Township's financial operations positively influenced the total net position:

- Detailed and thorough expense monitoring and five year budgeting outlooks
- Relatively consistent economic growth despite an overall slow economy
- Increased revenue from Real Estate Transfer Tax due to a stronger housing market, and higher Earned Income Tax collections
- Reduced cost of debt as overall debt levels decreased and lower overall interest costs as a result of debt refinancing
- Continued low cost of debt due to Township's high bond rating
- Reasonably funded pension plans: Police 85.77%; Non-Uniform 98.73% and 92.86% (2 plans)

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Balance Sheet – Governmental Funds**

The Township's total Governmental fund balances, resulting from modified accrual basis of accounting transactions, increased from \$7,860,888 to \$8,324,929 between fiscal years 2015 and 2016.

	<u>2016</u>	<u>2015</u>
Cash and Investments	\$ 7,746,596	\$ 7,551,908
Taxes and Other Receivable	1,440,160	1,413,580
Prepaid Items	19,793	24,268
Total Assets	<u>\$ 9,206,549</u>	<u>\$ 8,989,756</u>
Accounts Payable	<u>\$ 665,098</u>	<u>602,007</u>
Total Liabilities	665,098	602,007
Deferred Inflow of Resources	619,482	734,973
Fund Balances		
Nonspendable	19,793	24,268
Restricted	3,432,476	3,544,063
Committed	1,750,040	1,921,800
Unassigned	2,719,660	2,162,645
Total Fund Balances	<u>7,921,969</u>	<u>7,652,776</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,206,549</u>	<u>\$ 8,874,265</u>

The 3.74% increase in the Governmental Fund balances is attributable to the investment in capital assets and the improving economy which resulted in higher earned income tax collections.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)**

**Change in Fund Balances**

For the years ended December 31, 2016 and 2015, the Township's total Governmental fund balances changed as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Service	\$ 697,606	\$ 363,560
Operating Grants and Contributions	1,131,885	891,289
Capital Grants and Contributions	179,948	270,651
General Revenues:		
Real Estate Taxes	5,496,780	5,414,441
Real Estate Transfer Taxes	649,774	565,662
Earned Income Taxes	2,954,420	2,912,903
Interest and Rents	56,435	52,686
Other Financing Sources:		
Issuance of Refunding Note	849,811	15,254,000
Total Revenues and Other Financing Sources	<u>12,016,659</u>	<u>25,725,192</u>
Expenditures		
General Government	1,287,878	1,176,257
Public Safety	3,651,268	3,568,605
Public Works	1,450,483	1,446,657
Culture and Recreation	464,816	590,961
Preservation of Natural Resources	308,631	1,109,100
Capital Outlay	1,531,965	1,743,892
Debt Service	3,052,425	3,405,466
Other Financing Uses		
Redemption of Bond	-	13,130,000
Total Expenditures and Other Financing Uses	<u>11,747,466</u>	<u>26,170,938</u>
Change in Fund Balances	269,193	(445,746)
Fund Balances - Beginning	<u>7,652,776</u>	<u>8,098,522</u>
Fund Balances - Ending	<u><u>\$ 7,921,969</u></u>	<u><u>\$ 7,652,776</u></u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)**

Budget to Actual comparisons for the major funds are noted in these Financial Statements beginning on page 61.

For the year ended December 31, 2016, the General Fund revenues exceeded budget by \$477,287, and expenditures were below budget by approximately \$450,000 prior the close of the year. The increase in revenue is directly attributable to greater than expected collections of Earned Income Taxes, Real Estate Transfer Taxes and Program Revenue. The decrease in expenses is due to the Administration's efforts to minimize expense outlays coupled with the mild winter which resulted in lower than budgeted snow removal costs. The result of the increased revenue and reduction in expenses, allowed the Administration to transfer an additional \$400,000 to the Capital Reserve Fund, enhancing the Township's financial security and ability to fund future capital expenditures. After the transfer, the General Fund expenses remained under budget by \$16,900.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Table 3 – Capital Assets, Net of Depreciation

	<u>2016</u>	<u>2015</u>
Land, Land Easements, and Construction in Progress	\$ 32,878,394	\$ 34,701,758
Land Improvements	19,818	21,905
Park Improvements	3,079,078	3,159,800
Buildings and Improvements	6,579,454	3,680,224
Vehicles and Equipment	618,291	521,710
Furniture and Equipment	190,612	199,622
Infrastructure	<u>3,017,438</u>	<u>3,217,968</u>
Total	<u>\$ 46,383,085</u>	<u>\$ 45,502,987</u>

The increase in Capital Assets is primarily due to the completion of the Public Works Facility classified under Buildings and Improvements.

**Capital Debt**

At December 31, 2016 and 2015, the Township had \$25,445,535 and \$27,048,724, respectively, in long-term debt outstanding. Principal and interest payments in 2016 were \$2,453,000 and \$599,425, respectively, and in 2015 were \$2,503,000 and \$576,866. With the exception of the General Obligation Bonds, Series 2012A, and Series 2014 A & B, all debt is voter approved for the acquisition of Open Space and Land Conservation Easements. Non-voter approved debt was used for Township capital construction projects and infrastructure improvements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

Table 4 – Outstanding Debt

	<u>2016</u>	<u>2015</u>
General Obligation Notes	\$ 21,380,535	22,738,724
General Obligation Bonds	<u>4,065,000</u>	<u>4,310,000</u>
Total General Obligation Notes and Bonds	<u>\$ 25,445,535</u>	<u>\$ 27,048,724</u>

The Township continued its debt repayment plan during 2016, reducing outstanding debt. While the Township did not refinance any existing debt in 2016, it benefited from lower interest payments due to the earlier refinancing of existing debt at lower interest rates.

Additional information about the Township's long-term debt can be found in Note 5 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The 2017 Solebury Township Budget calls for the continuation of the Land Preservation, Capital Projects and Roads & Bridges Programs. The Township continues to explore and improve upon recreational opportunities for its residents, and continues to maintain and improve the Township's infrastructure. The Township also expects to borrow approximately \$1 million in 2017 to fund upgrades to the Police Department facilities, complete a new salt storage building, and develop an additional sports field to provide recreational opportunities for residents.

While there was not a tax increase in the 2017 Budget, a portion of the real estate tax millage was reallocated between the General and Library Funds from the Debt Service Funds. The General Fund allocation was increased by .25 mills, the Library Fund was increased by .0297 mills and Debt Service decreased by the .2797 mills. The millage for 2017 is: 7.875 for the General Fund, .4047 for the Library Fund and 12.2803 mills for the Debt Service Fund. The reallocation was in light of the decreasing debt service of the Township, and the increased contribution to the local library and increased costs in the General Fund. The Township continues to employ a conservative budget approach by holding tax revenues consistent with prior years' receipts and modestly increasing overall Township expenses.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

The report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dennis Carney, Township Manager, 3092 Sugan Road, P.O. Box 139, Solebury, PA 18963 or 215-297-5656.



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,696,383
Investments	2,050,213
Accounts Receivable	87,308
Real Estate Taxes Receivable	143,142
Real Estate Transfer Taxes Receivable	47,921
Earned Income Taxes Receivable	1,161,789
Prepaid Expenses	19,793
Capital Assets Not Being Depreciated:	
Land	3,344,871
Conservation Easements	29,533,523
Other Capital Assets, Net of Depreciation	13,504,691
Total Assets	<u>55,589,634</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge on Refunding	16,110
Deferred Outflows from Pension	788,672
Total Deferred Outflows of Resources	<u>804,782</u>
<b>LIABILITIES</b>	
Accounts Payable	665,098
Accrued Interest Payable	105,340
Noncurrent Liabilities:	
Due Within One Year	2,780,911
Due in More than One Year	23,065,520
Net Pension Liability	852,714
Total Liabilities	<u>27,469,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows from Pension	1,004,408
Total Deferred Inflows of Resources	<u>1,004,408</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	20,869,260
Restricted:	
Land Preservation	2,568,834
Debt Service	464,214
Roads and Bridges	150,739
Fire Protection Tax	7,932
Highway Aid	239,452
Library	1,305
Unrestricted	3,618,689
Total Net Position	<u><u>\$ 27,920,425</u></u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Governmental Activities:					
General Government	\$ 1,588,433	\$ -	\$ 75,326	\$ 14,948	\$ (1,498,159)
Public Safety	3,714,568	634,685	365,055	-	(2,714,828)
Public Works	1,631,892	-	357,985	165,000	(1,108,907)
Culture and Recreation	547,624	61,671	-	-	(485,953)
Preservation of Natural Resources	302,834	334,769	-	-	31,935
Interest on Long-Term Debt	633,197	-	-	-	(633,197)
Total Governmental Activities	<u>\$ 8,418,548</u>	<u>\$ 1,031,125</u>	<u>\$ 798,366</u>	<u>\$ 179,948</u>	(6,409,109)
General Revenues					
Taxes:					
Real Estate Taxes					5,409,923
Real Estate Transfer Taxes					649,774
Earned Income Taxes					2,925,785
Interest and Rents					<u>56,435</u>
Total General Revenues					<u>9,041,917</u>
Change in Net Position					2,632,808
Net Position - Beginning of Year					<u>25,287,617</u>
Net Position - End of Year					<u>\$ 27,920,425</u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	Major Funds							Nonmajor	Total
	General	Land Preservation	Debt Service	Roads and Bridges	Capital Reserve	Capital Project	Natural Resource	Governmental Funds	Governmental Funds
ASSETS									
Cash and Cash Equivalents	\$ 2,162,625	\$ 521,535	\$ 410,274	\$ 130,431	\$ 1,240,888	\$ 65,637	\$ 437,637	\$ 727,356	\$ 5,696,383
Investments	-	2,050,213	-	-	-	-	-	-	2,050,213
Real Estate Taxes Receivable	49,020	-	80,723	-	-	-	-	13,399	143,142
Real Estate Transfer Taxes Receivable	47,921	-	-	-	-	-	-	-	47,921
Earned Income Taxes Receivable	1,161,789	-	-	-	-	-	-	-	1,161,789
Accounts Receivable	67,000	-	-	20,308	-	-	-	-	87,308
Prepaid Expenses	14,793	-	-	-	-	-	-	5,000	19,793
Total Assets	<u>\$ 3,503,148</u>	<u>\$ 2,571,748</u>	<u>\$ 490,997</u>	<u>\$ 150,739</u>	<u>\$ 1,240,888</u>	<u>\$ 65,637</u>	<u>\$ 437,637</u>	<u>\$ 745,755</u>	<u>\$ 9,206,549</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 180,390	\$ 2,914	\$ -	\$ -	\$ -	\$ 223,762	\$ 229,987	\$ 28,045	\$ 665,098
Deferred Inflow of Resources									
Unavailable Revenue - Income Taxes	573,207	-	-	-	-	-	-	-	573,207
Unavailable Revenue - Real Estate Taxes	15,098	-	26,783	-	-	-	-	4,394	46,275
Total Deferred Inflow of Resources	588,305	-	26,783	-	-	-	-	4,394	619,482
Fund Balances									
Nonspendable	14,793	-	-	-	-	-	-	5,000	19,793
Restricted	-	2,568,834	464,214	150,739	-	-	-	248,689	3,432,476
Committed	-	-	-	-	1,240,888	(158,125)	207,650	459,627	1,750,040
Unassigned, Reported in General Fund	2,719,660	-	-	-	-	-	-	-	2,719,660
Total Fund Balances	2,734,453	2,568,834	464,214	150,739	1,240,888	(158,125)	207,650	713,316	7,921,969
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,503,148</u>	<u>\$ 2,571,748</u>	<u>\$ 490,997</u>	<u>\$ 150,739</u>	<u>\$ 1,240,888</u>	<u>\$ 65,637</u>	<u>\$ 437,637</u>	<u>\$ 745,755</u>	<u>\$ 9,206,549</u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

Total Governmental Fund Balances		\$ 7,921,969
Amounts Reported for Governmental Activities in the Statement of Net Position are Different because:		
Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Capital Assets	\$ 52,430,170	
Accumulated Depreciation	<u>(6,047,085)</u>	46,383,085
Net Pension Liability is not Payable in the current Period and, therefore, is not Reported in the Funds:		
Pension Liability		(852,714)
Deferred Outflows are Recorded as Expenditures in the Fund Statements but Recorded as a Deferred Outflow and Amortized in the Statement of Financial Position:		
Deferred Charge on Refunding		16,110
Deferred Outflows from Pensions		788,672
Deferred Inflows from Pensions Representing Net Difference between Projected and Actual Investment Earnings and the Changes in the Proportions are not Recorded in the Fund Statements		
		(1,004,408)
Other Long-Term Assets (Receivables) are not Available to Pay for Current-Period Expenditures and, therefore, are Unavailable in the Funds		
		619,482
Certain Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds:		
Compensated Absences	(332,606)	
Accrued Interest Payable	(105,340)	
General Obligation Bonds and Notes Payable	<u>(25,513,825)</u>	<u>(25,951,771)</u>
Net Position of Governmental Activities		<u>\$ 27,920,425</u>

See accompanying Notes to Financial Statements.

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

	Major Funds						Nonmajor	Total	
	General	Land Preservation	Debt Service	Roads and Bridges	Capital Reserve	Capital Project	Natural Resource	Governmental Funds	Governmental Funds
REVENUES									
Real Estate Taxes	\$ 1,931,662	\$ -	\$ 3,050,359	\$ -	\$ -	\$ -	\$ -	\$ 514,759	\$ 5,496,780
Real Estate Transfer Taxes	649,774	-	-	-	-	-	-	-	649,774
Earned Income Taxes	2,954,420	-	-	-	-	-	-	-	2,954,420
Licenses and Permits	238,949	-	-	-	-	-	-	-	238,949
Fines, Forfeits and Costs	29,403	-	-	-	-	-	-	-	29,403
Interest and Rents	36,045	17,099	-	518	-	-	746	2,027	56,435
Intergovernmental	410,978	-	-	165,000	-	-	-	357,985	933,963
Charges for Services	306,766	-	-	-	-	-	334,769	56,071	697,606
Refunds and Miscellaneous	88,970	-	-	-	-	-	-	20,548	109,518
Total Revenues	6,646,967	17,099	3,050,359	165,518	-	-	335,515	951,390	11,166,848
EXPENDITURES									
Current:									
General Government	982,603	-	-	-	-	-	-	36,716	1,019,319
Public Safety	2,065,501	-	-	-	-	-	-	626,186	2,691,687
Public Works	415,335	-	-	455,708	-	-	-	357,233	1,228,276
Culture and Recreation	2,875	-	-	-	-	-	-	439,175	442,050
Preservation of Natural Resources	-	54,070	-	-	-	-	254,561	-	308,631
Capital Outlay	-	-	-	-	-	1,531,965	-	-	1,531,965
Miscellaneous:									
Employee Benefits	845,723	-	-	-	-	-	-	-	845,723
Pension	534,225	-	-	-	-	-	-	-	534,225
Insurance	93,165	-	-	-	-	-	-	-	93,165
Debt Service:									
Principal	-	-	2,453,000	-	-	-	-	-	2,453,000
Interest	-	-	599,425	-	-	-	-	-	599,425
Total Expenditures	4,939,427	54,070	3,052,425	455,708	-	1,531,965	254,561	1,459,310	11,747,466
Excess (Deficiency) of Revenues Over(Under) Expenditures									
	1,707,540	(36,971)	(2,066)	(290,190)	-	(1,531,965)	80,954	(507,920)	(580,618)
Other Financing Sources (Uses):									
Proceeds from Note Issuance	-	-	-	-	-	849,811	-	-	849,811
Transfers In	75,000	-	-	310,000	500,000	450,000	-	420,000	1,755,000
Transfers Out	(1,230,000)	(75,000)	-	-	(450,000)	-	-	-	(1,755,000)
Total Other Financing Sources (Uses)	(1,155,000)	(75,000)	-	310,000	50,000	1,299,811	-	420,000	849,811
Net Changes in Fund Balances	552,540	(111,971)	(2,066)	19,810	50,000	(232,154)	80,954	(87,920)	269,193
Fund Balances - Beginning of Year	2,181,913	2,680,805	466,280	130,929	1,190,888	74,029	126,696	801,236	7,652,776
Fund Balances - End of Year	\$ 2,734,453	\$ 2,568,834	\$ 464,214	\$ 150,739	\$ 1,240,888	\$ (158,125)	\$ 207,650	\$ 713,316	\$ 7,921,969

See accompanying Notes to Financial Statements.

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

Net Change in Fund Balances - Governmental Funds	\$	269,193
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Amounts Reported for Governmental Activities in the  
Statements of Activities are Different because:

Governmental Funds Report Capital Outlays as Expenditures.

However, in the Statement of Activities, the Cost of those  
Assets is Allocated Over their Estimated Useful Lives  
and Reported as Depreciation Expense. This is the  
Amount by which Depreciations Exceeds Capital Outlay  
in the Current Period:

Capital Outlay	\$ 1,545,592		
Depreciation Expense	<u>(665,494)</u>		880,098

The Net Effect of Revenues in the Statement of Activities that do not Provide Current Financial Resources are not Reported in the Fund Financial Statements		(115,490)
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The Issuance of Long-Term Debt Provides Current Financial  
Resources to Governmental Funds. While the Repayment  
of the Principal of Long-Term Debt Consumed the Current  
Financial Resources of Governmental Funds. Neither  
Transaction, however, has any Effect on Net Position. Also  
Governmental Funds Report the Effect of Premiums, Discounts,  
and Similar Items when Debt is First Issued, whereas  
these Amounts are Deferred and Amortized in the  
Statement of Activities:

Amortization of Premium and Loss on Refunding	5,797		
Debt Service Principal Paid	2,453,000		
Proceeds from Note	<u>(849,811)</u>		1,608,986

The Net Effect of 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:

Change in Pension Expense	58,427		
Change in Accrued Interest	(33,772)		
Change in Compensated Absences Balances:			
General Government	(2,684)		
Public Safety	(28,642)		
Public Works	<u>(3,308)</u>		<u>(9,979)</u>

Change in Net Position of Governmental Activities	\$	<u>2,632,808</u>
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**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	Police Pension Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$      428,686	\$      914,311
Investments	<u>4,424,371</u>	<u>-</u>
Total Assets	<u>4,853,057</u>	<u><u>\$      914,311</u></u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$      12,421
Escrow Deposits Payable	-	817,922
Amounts Held for Sports Organizations	<u>-</u>	<u>83,968</u>
Total Liabilities	<u>-</u>	<u><u>\$      914,311</u></u>
<b>NET POSITION</b>		
Net Position Held in Trust for Pension Benefits	<u><u>\$      4,853,057</u></u>	

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**– POLICE PENSION TRUST**  
**YEAR ENDED DECEMBER 31, 2016**

	Police Pension Trust
Additions:	
Contributions:	
Commonwealth of Pennsylvania	\$ 122,490
Employer	259,775
Members	<u>67,592</u>
Total Contributions	449,857
Investment Earnings:	
Investment Gains	<u>366,526</u>
Net Investment Earnings	<u>366,526</u>
Total Additions	816,383
Deductions:	
Benefits	271,707
Administrative	<u>30,886</u>
Total Deductions	<u>302,593</u>
Change in Plan Net Position	513,790
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>4,339,267</u>
End of Year	<u><u>\$ 4,853,057</u></u>

See accompanying Notes to Financial Statements.



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Solebury Township (the Township), located in Bucks County, Pennsylvania, is classified as a "Township of the Second Class" under the laws of the Commonwealth of Pennsylvania. The major services provided by the Township include public safety, roads, fire protection, parks and recreation, and general administration.

The Township is governed by an elected five member Board of Supervisors. The daily operations of the Township are administered by the Township Manager.

The financial statements of the Township have been prepared in accordance with auditing standards generally accepted in the United States of America as applied to governmental audits. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government's accounting policies are described below.

**Reporting Entity**

The basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the Township is financially accountable. The Township has also considered all other potential organizations for which the nature and significance of their relationships with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body and 1) the ability of the Township to impose its will on that organization or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Township. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements are highly aggregated financial statements that present financial information for all assets (including infrastructure capital assets), deferred outflows of resources, all liabilities, and deferred inflows of resources and net position as a primary government, except for fiduciary funds. Government-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These financial statements are designed to help users assess the finances of the government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current-year services. They also are designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs – through user fees and other program revenues versus general tax revenues; understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets; and make better comparisons between governments.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Separate fund financial statements are provided for the Township's Governmental funds and Fiduciary funds, as applicable. The focus of fund financial statements is on major funds. Major individual Governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net positions, revenues and expenditures, as appropriate. The Township has the following funds:

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed.

The Township reports the following major Governmental funds:

- **General Fund** – Accounts for all activities except those legally or administratively required to be accounted for in other funds. For external financial reporting purposes, the Township includes the Operating Reserve Fund in the General Fund.
- **Land Preservation Fund** – A capital projects fund established to account for the Township's Land Preservation Program funded through general obligation electoral debt approved by the voters.
- **Debt Service Fund** – Accounts for revenues from a share of the Township's real estate taxes which are used to retire debt principal and interest.
- **Roads and Bridges Capital Fund** – Accounts for capital construction and maintenance of the Township's roads and bridges, which is funded primarily by interfund transfers from the General Fund, proceeds from general obligation notes, and fees in lieu of improvements from developers.
- **Capital Reserve Fund** – Accounts for major capital improvements and/or construction of Township facilities, which is funded primarily by interfund transactions from the General Fund.
- **Capital Project Fund** – Accounts for the construction of the new Public Works Facility, funded by both interfund transfers from the Capital Reserve Fund and a fixed rate loan.
- **Natural Resources Fund** – A special revenue fund that accounts for preservation and maintenance of natural resources in the Township which is funded primarily by proceeds from general obligation notes and fees in lieu of improvements from developers, supplemented by interfund transfers from the General Fund.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

- **Police Pension Trust Fund** – Accounts for police pension plan contributions for the payment of retirement benefits.
- **Escrow Agency Fund** – Accounts for escrow funds deposited with the Township 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. As the escrow agency funds are custodial in nature, none of the monies received from or expended on behalf of the developers are recorded in the revenues or expenditures of the Township.
- **Sports Organizations Agency Fund** – Accounts for funds held by the Township on behalf of sports organizations. These funds are custodial in nature.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Earned income taxes are recognized when the underlying exchange transaction occurs or when resources are received, whichever is first. 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 prepared using a 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are real estate taxes, earned income taxes, interest, intergovernmental, charges for services, and certain miscellaneous revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due or matured. Assets exclude capital and certain other long-term assets, and liabilities exclude unmatured debt, compensated absences, and accrued interest payable.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

The Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Investments**

Investments consist of certificates of deposit whose original maturity exceeds three months, investments in iShares which are a type of exchange traded funds (ETF), and government bonds with various interest rates. Certificates of deposit are stated at fair value. The iShares are valued based on published market prices from national security exchanges. The iShares are traded on the American Stock Exchange, the Chicago Board Options Exchange, and the New York Stock Exchange. All investments are carried at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*.

**Receivables**

Receivables are reduced, when necessary, by an estimated allowance that is expected to be uncollectible.

**Due to and Due from Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.

**Capital Assets**

Capital assets include land, conservation easements, construction-in-progress, buildings and improvements, machinery and equipment, vehicles, furniture and infrastructure and are reported in the governmental activities column in the government-wide financial statements. Purchases of capital assets are recognized as expenditures in Governmental funds statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an initial useful life of one year or greater. Such assets are recorded at cost. Capital assets, except for intangible assets, acquired through contributions from developers are recorded at estimated fair value at the date of donation.

In order to preserve open space, the Township purchases conservation easements. A conservation easement restricts the use of land from development in perpetuity. A conservation easement is thus considered an intangible asset of the Township. The Township records conservation easements at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completely constructed.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

Buildings and Improvements	20 – 30 years
Park and Land Improvements	20 – 30 years
Machinery/Vehicles/Furniture/Equipment	5 – 15 years
Infrastructure	20 years

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the Governmental fund financial statements, the face amount of debt issued is reported as another financing source and is not considered a fund liability, and repayments of debt are considered debt service expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of net position will report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources (revenue) until that time.

**Real Estate Taxes**

Real estate taxes are levied March 1 and due June 30 of each year. A two percent discount is provided for taxes paid prior to May 1. A ten percent penalty is applied to taxes paid after June 30. Unpaid taxes are liened with County of Bucks by January 31 of the subsequent year.

**Earned Income Taxes**

The Township recognizes assets resulting from earned income taxes (derived tax revenues) when the underlying exchange transaction occurs or when resources are received, whichever is first. In the Governmental fund financial statements, under the modified accrual basis of accounting, revenue is recorded when the underlying exchange occurs and when the resources are available. Revenue that is not available as of December 31<sup>st</sup>, is recorded as deferred inflows of resources.

**Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation,

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position amounts are considered unrestricted. Restricted resources are used first to fund appropriations. The Township first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance**

The Township follows GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This statement provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. Fund balances of the government funds are classified as follows:

**Nonspendable** – Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – Amounts that can be used only for specific purposes determined by a formal action of the Township Board of Supervisors. The Board of Supervisors is the highest decision making authority of the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Supervisors.

**Assigned** – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** – Residual net resources.

The Township Supervisors passed a resolution authorizing the Township Finance Director to designate fund balances by their intended use. When expenditures are incurred for purposes for which both restricted and unrestricted balance are available, it is the Township's policy to use restricted fund balance first, followed by unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, it is the Township's policy to use committed first, then assigned, and then finally unassigned.

The Township does not have any assigned balances as of December 31, 2016.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

The accumulated vested compensated absences are reported as liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is allowed to be paid upon retirement. In the Governmental funds financial statements, compensated absences are not recognized as liabilities but are recognized as expenditures when due to be paid.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Legal and Contractual Restrictions**

Under Pennsylvania law, the Township is permitted to invest Township funds in U.S. Treasury bills, short-term obligations of the U.S. Government and its agencies, and shares of an investment company as defined, provided that the only investments of that company are in authorized investments for Township funds. The Township may also place deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

The law provides that the Township's Pension Trust Funds may be invested in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

The deposits and investments of the Police Pension Trust Fund are maintained separately from other Township funds and are managed by a Trustee in the name of the Township.

Cash, cash equivalents, and investments include \$2,571,748 held in the Land Preservation Fund that is restricted for use in the Township's Land Preservation Program.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk – Deposits**

At December 31, 2016, the carrying value of the Township's deposits with banks was \$8,660,557 including certificates of deposit of \$2,050,213, in the various governmental and agency funds. The bank balances were \$8,711,666. Of the bank balances, 100% was covered by federal depository related insurance or collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971. Under Act 72, a depository holding public funds in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge assets to secure 100% of the Township's deposits. The pledged assets must be at least equal to the total amounts of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. All such pledged assets are held by the pledging financial institution's trust department or agent and not in the Township's name. The Township Finance Department is responsible for monitoring compliance with the collateralization and reporting requirements of Act 72.

As of December 31, 2016, the Township's bank balances and certificates of deposit were exposed to custodial credit risk as follows:

	Bank Deposits
Insured Amount	\$ 500,000
Uninsured, with Collateral Held by Pledging Bank's Trust Department but not in the Township's Name in Accordance with Act 72	8,211,666
Uninsured and Uncollateralized	-
Total Bank Deposits	<u>\$ 8,711,666</u>

**Investments**

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

As of December 31, 2016, the Township had the following recurring fair value measurements using quoted market prices for Level 1 inputs and using current sale prices or sale prices of comparable securities for Level 2 inputs for investments and cash equivalents, and maturities:

Investments held as of December 31, 2016 are as follows:

Investment and Cash Equivalent Type	Valuation Inputs Level	Fair Value
Land Preservation Fund:		
Negotiable Certificates of Deposit	N/A	\$ 2,050,213
Police Pension Trust Fund:		
Money Funds (1)	N/A	428,685
ETF'S - Equity Funds	Level 1	874,979
iShares - Equity Mutual Funds	Level 1	1,957,671
Certificates of Deposit	N/A	1,232,267
Government Bonds	Level 2	359,455
Total Police Pension Trust Fund		<u>4,853,057</u>
Combined Total		<u><u>\$ 6,903,270</u></u>

(1) Money Funds are Included with Cash and Cash Equivalents

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has purchased from brokers negotiable certificates of deposit, in which the Township receives pass-through depository insurance up to \$250,000 at each financial institution. The remaining negotiable certificates of deposit are exposed to custodial credit risk. The total balance of certificates of deposit that were exposed to credit risk was \$3,282,480.

**Interest Rate Risk – Investments**

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township limits its interest rate risk by maintaining certain balances in liquid investments, which include money funds. The average maturities of the Township's Government Bonds are as follows:

	Average Maturities (in Years)					Total
	Less Than 1	1-5	6-10	11-20	More Than 20	
Government Bonds	\$ 19,972	\$ 132,538	\$ 206,945	\$ -	\$ -	\$ 359,455
	<u>\$ 19,972</u>	<u>\$ 132,538</u>	<u>\$ 206,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,455</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

The maturities of the Township's negotiable certificates of deposits are as follows:

	Maturity Year					Total
	2017	2018	2019	2020	2021-2031	
Negotiable Certificates of Deposits	<u>\$ 2,125,258</u>	<u>\$ 75,193</u>	<u>\$ 100,585</u>	<u>\$ 100,713</u>	<u>\$ 880,731</u>	<u>\$ 3,282,480</u>

**Credit Risk – Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Township does not have a formal investment policy for credit risk. The Township's investments were given the following credit ratings:

The Township's investments in negotiable certificates of deposit and money funds were not rated.

The Township's investments in Government Bonds were rated AAA by Moody's and AA+ by S & P.

**Concentration of Credit Risk**

The Township does not have a formal investment policy for concentration of credit risk. At December 31, 2016, the Township had the following investments which exceeded 5% of the Township's total investments of the Governmental funds:

Issuer	Type of Investment	Amount	Percentage of Investments of Governmental Funds
Penn Community Bank	Negotiable Certificates of Deposit	\$ 2,050,213	100.00%

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance 2015	Additions	Deletions/ Transfers	Balance 2016
Governmental Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,344,871	\$ -	\$ -	\$ 3,344,871
Land Easements	29,533,523	-	-	29,533,523
Construction in Progress	1,823,364	1,314,415	(3,137,779)	-
Total Capital Assets Not Being Depreciated	34,701,758	1,314,415	(3,137,779)	32,878,394
Capital Assets, Being Depreciated:				
Land Improvements	38,601	-	-	38,601
Park Improvements	3,699,491	-	-	3,699,491
Buildings and Improvements	5,946,306	-	3,137,779	9,084,085
Vehicles and Equipment	1,232,446	218,177	(81,541)	1,369,082
Furniture and Fixtures	289,624	13,000	-	302,624
Infrastructure	5,057,893	-	-	5,057,893
Total Capital Assets Being Depreciated	16,264,361	231,177	3,056,238	19,551,776
Less Accumulated Depreciation for:				
Land Improvements	16,696	2,087	-	18,783
Park Improvements	539,691	80,722	-	620,413
Buildings and Improvements	2,266,082	238,549	-	2,504,631
Vehicles and Equipment	710,736	121,596	81,541	750,791
Furniture and Fixtures	90,002	22,010	-	112,012
Infrastructure	1,839,925	200,530	-	2,040,455
Total Accumulated Depreciation	5,463,132	665,494	81,541	6,047,085
Total Capital Assets Being Depreciated, Net	10,801,229	(434,317)	2,974,697	13,504,691
Governmental Type Activities, Capital Assets, Net	<u>\$ 45,502,987</u>	<u>\$ 880,098</u>	<u>\$ (163,082)</u>	<u>\$ 46,383,085</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 268,383
Public Safety	92,750
Highway	10,640
Public Works	210,913
Parks and Recreation	82,808
Total Depreciation Expense, Governmental Activities	<u>\$ 665,494</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following is a schedule of transfers as included in the basic financial statements of the Township:

	Transfers In	Transfers Out
General Fund	\$ 75,000	\$ 1,230,000
Land Preservation Fund	-	75,000
Roads and Bridges Fund	310,000	-
Capital Project	450,000	-
Capital Reserve Fund	500,000	450,000
Nonmajor Governmental Funds:		
Park and Recreation Fund	140,000	-
Ambulance Fund	100,000	-
Highway Aid	-	-
Park and Recreation Capital Fund	45,000	
Capital Equipment Fund	135,000	-
Total	<u>\$ 1,755,000</u>	<u>\$ 1,755,000</u>

Transfers are used to (1) move revenues from the fund required to be collected by statute or budget to the fund required by statute or budget to expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 5 LONG-TERM DEBT**

The following is a summary of changes in long-term debt:

	Year of Final Maturity	Original Issue Amount	Balance January 1, 2016	2016 Additions	2016 Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities:							
General Obligation:							
2011 Issue - 2.95% (Note)	2026	5,345,000	4,461,000		(349,000)	4,112,000	359,000
2012A Issue - 0.5% - 2.00% (Bond)	2025	845,000	605,000		(245,000)	360,000	85,000
2012B Issue - 0.5% - 2.00% (Bond)	2025	4,380,000	3,705,000		-	3,705,000	165,000
2014A Issue - 2.44% (Note)	2025	4,762,189	4,271,186		(461,000)	3,810,186	479,000
2014B Issue - 2.44% (Note)	2025	2,649,811	1,800,000	849,811	-	2,649,811	-
2015A Issue - 2.5% (Note)	2020	2,026,000	1,695,411		(325,000)	1,370,411	330,000
2015B Issue - 2.5% (Note)	2025	6,986,000	6,271,000		(842,000)	5,429,000	860,000
2015C Issue - 2.65% (Note)	2030	4,442,000	4,240,127		(231,000)	4,009,127	235,000
Premium for Issuance- Unamortized			75,877		(7,587)	68,290	-
Total General Obligation							
Bonds and Notes			27,124,601	849,811	(2,460,587)	25,513,825	2,513,000
Compensated Absences			297,972	48,289	(13,655)	332,606	267,911
Total			<u>\$ 27,422,573</u>	<u>\$ 898,100</u>	<u>\$ (2,474,242)</u>	<u>\$ 25,846,431</u>	<u>\$ 2,780,911</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5    LONG-TERM DEBT (CONTINUED)**

During 2016, the Township borrowed the remaining \$849,811 on the Series 2014 B Note during the year ended December 31, 2016.

During 2015, in accordance with the adopted Ordinance 2013-003, which commenced the Township's financing plan, the Township issued General Obligation Notes Series A & B of 2015, in the amount of \$9,012,000 for a fixed interest rate of 2.5% through 2019. The interest rate can be reset but will not exceed 2.7%. This plan enables the Township to take advantage of a lower fixed interest rate, thereby reducing the Township's overall interest payments through 2030 by approximately 25% or \$1.8 million dollars. These Notes were issued to refund the principal maturities of General Obligation Bonds, Series of 2005 and General Obligation Bond, Series of 2009 B in the amounts of \$6,830,000 and \$1,995,000, respectively. Also in 2015, the Township issued \$4,442,000 of General Obligation Note, Series 2015 C, for the purpose of refunding the Township's General Obligation Bond, Series 2010, and to pay the costs of issuing the note. The Series 2015 C Note has a fixed interest rate of 2.65% through 2030. The 2015 notes were issued at a lower fixed interest rate, continuing the Township's efforts to reduce interest payments. All of the 2015 Notes are electoral debt.

During 2014, the Township issued \$4,762,189 of non-electoral General Obligation Note, Series 2014 A, for the purpose of refunding the Township's General Obligation Bond, Series 2009 A, and to pay the costs of issuing the note. The 2014 A Note was issued at a lower fixed interest rate, continuing the Township's efforts to reduce interest payments. The Township also issued a \$2,649,811 non-electoral General Obligation Note, Series 2014 B for the purpose of providing funds to finance a capital project. The Township drew down \$1,800,000 on the Series 2014 B Note during the year ended December 31, 2015. The Series 2014 A and B Notes have a fixed interest rate of 2.44% through 2025.

During 2012, the Township incurred \$845,000 of non-electoral debt and \$4,380,000 of electoral debt through the issuance of General Obligation Bond Series 2012 A and B, respectively. The Bond was issued to refund the principal maturities of the 2012 Note (issued January 2012), and the 2003 A and 2003 B General Obligation Notes in the amounts of \$850,000, \$1,437,000, and \$3,239,000, respectively. The Bond proceeds also funded the issuance costs of \$100,366. The Bonds have varying maturities from December 1, 2013 to December 2025 with interest being paid semiannually, June 1 and December 1. The interest rates of the Bonds range between .50% and 2.00%. In connection with the refunding of the 2003 A and B Notes, a termination payment was made and is included as a deferred outflow on the statement of net position and is amortized over the life of the debt. The refunding of the 2003 Series A and B Notes and the 2012 Note resulted in an aggregate increase in debt service, however the Township's exposure to variable interest rates was eliminated.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

During 2011, the Township incurred \$5,345,000 of electoral debt through the issuance of General Obligation Note, Series 2011. The Note is included in the Interest Rate Management Plan with the Delaware Valley Regional Finance Authority. The Note was issued to refund the principal maturities of the 2006 General Obligation Bonds in the amount of \$5,291,167 and to fund issuance costs of \$50,633. The Township utilized the option to fix an annual interest rate. The interest rate has been fixed at 2.95% through April 25, 2026. The note has varying maturities from April 25, 2012 through April 25, 2026 with interest payable monthly.

**Interest Rate Management Plan**

The Series 2011 Note was issued to the Delaware Valley Regional Finance Authority (the DVRFA). In order to provide funds for loans, (the Loan Program) the DVRFA has issued Local Government Revenue Bonds (the DVRFA Bonds). The DVRFA has entered into an interest rate swap agreement (the DVRFA Swap Agreement), with Merrill Lynch Capital Services, Inc. (MLCS), secured by a guaranty of Merrill Lynch & Co. (Merrill Lynch), in order to reduce the costs of participants in the Loan Program and to enhance the ability of participants to manage their interest rate risks. The DVRFA Swap Agreement is a "Qualified Interest Rate Management Agreement" as such term is defined in the Pennsylvania *Local Government Unit Debt Act*. All of the transactions under the MLCS Swap Agreement were novated during 2009 to Bank of America, N.A. (BANA), which acquired Merrill Lynch. The payment of debt service of the DVRFA Bonds is secured by municipal bond insurance policies issued by Ambac Assurance Corporation (Ambac).

Under the terms of the loan agreements, the interest payments due from the Township are calculated to fund:

- (1) the debt service payments on the DVRFA Bonds,
- (2) the net payments due under the DVRFA Swap Agreement, and
- (3) all other costs and expenses necessary for the operation of the Loan Program, amounts required to maintain the liquidity of the Loan Program, and any termination payment (the Termination Payment) due under the DVRFA Swap Agreement.

**Interest Rate Risk** – The Township had the option under the loan agreements to pay a variable rate of interest or a fixed rate. The Township elected a fixed rate, and the rate, with terms and conditions selected by the township, was set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA with BANA under the DVRFA Swap Agreement.

Since the Township is not considered to be a signatory on the current interest rate swap agreements between DVRFA and Bank of America, management has concluded that the Township would not be required to report the transaction in accordance with Governmental Accounting Standards Board (GASB) No. 53 *Accounting and Financial Reporting for Derivative Instruments*. Therefore, the fair value of the interest rate swap agreements is not recorded on the statement of net assets. In addition, no evaluation has been made to whether the interest rate swaps are effective cash flow hedges.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Interest Rate Management Plan (Continued)**

**Basis Risk** – The Series 2011 Note does not entail a basis risk.

**Credit Risk** – Rating downgrades by Moody's and Standard & Poor's (S&P) can precipitate collateralization requirements under the DVRFA Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DVRFA Swap Agreement and may result in termination.

- If the long-term, unsecured, senior debt ratings of BANA are reduced below "A2" by Moody's or "A" by S&P and if DVRFA would receive a payment from BANA upon termination, BANA is required to post collateral equal to the market value of each of the swap agreements executed with DVRFA. BANA's current ratings are "Aa3/A+", with stable outlooks by Moody's and S&P, respectively.

Ratings downgrades of BANA below investment grade may result in termination. If the long-term, unsecured, senior debt ratings of BANA are downgraded below "Baa3" by Moody's and "BBB-" by S&P, DVRFA may terminate the swap agreements executed by BANA. If (i) the claims paying ability ratings of Ambac are reduced below "Baa3" by Moody's or "BBB-" by S&P and (ii) DVRFA has defaulted or DVRFA does not have published ratings of at least "Baa3" by Moody's and "BBB-" by S&P, BANA may terminate the DVRFA Swap Agreements.

**Termination Risk** – The Township is obligated to pay a Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Ambac, and the Township. These termination payments could be triggered in the event of (i) a payment default by the Township under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Ambac under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Ambac, or (iv) the downgrading of the claims paying ability of Ambac or long-term, unsecured, senior debt rating of DVRFA or BANA. In all instances of termination except a payment default on the note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions.

The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment. DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market.

The estimated Termination Payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Township's 2011 Note as of December 31, 2016, is shown in the table on page 36. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Township. Any net gain on the Termination Payment allocable to variable rate Notes (as shown in the table) would be retained by DVRFA.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Interest Rate Management Plan (Continued)**

Description	Date of Issue	Maturity Date	Principal Outstanding (Notional Amount)	Type of Note	Gain (Loss) (1)	
2011 Note	15-Nov-11	25-Apr-26	\$ 4,112,000	Fixed	\$ (133,828)	\$ -

(1) Based on Fair Value Estimates as of December 31, 2016

**Debt Service Requirements**

At December 31, 2016, the Township's legal debt limit under the Pennsylvania Local Government Unit Debt Act (the Act) was approximately \$25,850,000 for non-electoral debt. After deducting the non-electoral debt outstanding of \$6,980,000 the Township's remaining borrowing capacity as of December 31, 2016, was approximately \$18,870,000 for non-electoral debt. Electoral debt (i.e., debt approved by the Township voters) is not subject to any statutory borrowing limit under the Act.

The Series 2011, 2015A, 2015B, and 2015C notes and 2012B bond were approved by voters and issued by the Township for the purpose of providing funds to acquire open space, agricultural and conservation easements, land for recreation, and other capital projects. Electoral debt outstanding as of December 31, 2016 totaled \$18,625,538.

The following is a schedule of aggregate principal and interest payments on all long-term debt (excluding compensated absences), for each of the next five years and each five-year period thereafter:

<u>Year Ended December 31,</u>	<u>General Obligation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 2,513,000	\$ 611,416	\$ 3,124,416
2018	2,577,000	547,314	3,124,314
2019	2,637,000	487,109	3,124,109
2020	2,704,411	419,700	3,124,111
2021	2,763,000	361,403	3,124,403
2022-2026	10,941,000	800,053	11,741,053
2027-2030	1,310,124	70,555	1,380,679
Total	<u>\$ 25,445,535</u>	<u>\$ 3,297,550</u>	<u>\$ 28,743,085</u>



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6    COMPENSATED ABSENCES**

The Township has established policies for paying employees, at the time of termination or retirement, for certain accumulated but unused absences. Upon leaving, an employee will be compensated for unused vacation and personal days, and for one-half of unused sick days, up to 120 days for full time employees. At December 31, 2016, the Township's liability for compensated absences was \$332,606. The liability was determined by multiplying the accumulated available sick days, personal days, or vacation days, if applicable, for each employee by the applicable daily rate.

**NOTE 7    PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

The Township sponsors two defined benefit pension plans and one cash balance plan for its employees, the Police Pension Plan, the Non-Uniform Pennsylvania Municipal Retirement System (PMRS) Plan and the Non-Uniform Cash Balance PMRS Plan. Required disclosures regarding these plans are presented in Notes 8 and 9.

For the year ended December 31, 2016, the Township recognized aggregate pension expense of \$409,150 and net pension liabilities of \$852,714. The Police Pension Plan net pension liability was measured as of December 31, 2016. The Non-Uniform Pennsylvania Municipal Retirement System (PMRS) Plans' (defined benefit and cash balance) net pension liability was measured as of December 31, 2015.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)**

At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to its pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 1,004,408
Changes in Assumptions	372,544	-
Net Difference Between Projected and Actual Investment Earnings	330,816	-
Contributions Subsequent to the Measurement Date	85,312	-
	<u>\$ 788,672</u>	<u>\$ 1,004,408</u>

The deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$85,312 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ (18,670)
2018	(18,670)
2019	29,154
2020	(37,844)
2021-2024	(255,018)
Total	<u>\$ (301,048)</u>

**NOTE 8 DEFINED BENEFIT POLICE PENSION PLAN**

**Plan Description**

The Township sponsors a defined benefit pension plan, the Police Pension Plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Plan provisions are established by Township Ordinance with the authority for Township contributions required by Pennsylvania Act 205 (the Act).

The Township provides pension benefits for members of the police force through a self-administered trust fund – the Police Pension Plan, a single-employer plan accounted for as a pension trust fund of the Township.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8    DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

Members of the Police Pension Plan may opt to enter the Deferred Retirement Option Plan (the DROP) upon attaining age 55 and completion of 25 years of service. Under the DROP, members may accumulate their monthly retirement benefit in an interest bearing account held by the Plan for up to four years and continue to be employed by the Township. At the end of the DROP period, a lump sum of the accumulated monthly retirement benefit, plus interest, is distributed and the normal monthly retirement benefit distributions commence.

The following table provides information concerning types of covered employees and benefit provisions for the Township's Police Pension Plan:

Covered Employees	Police
	All Regular Full-Time Sworn Police Officers
Number of Covered Active Employees	14
Number of Persons Receiving Benefits	
Retired Employees and Beneficiaries	5
Terminated Employees Vested but not Receiving Benefits	1
Current Annual Covered Payroll	\$1,351,832
Normal Retirement Date	After 55th Birthday and 25 Years of Service or if Hired Prior to December 21, 1965, after 60th Birthday and 20 Years of Service
Retirement Benefit	A monthly Benefit Equal to 50% of the Final Monthly Average Salary Plus an Additional \$100 per Month up to a maximum of \$500 per month, if Retiring with 26 or more Years of Service
Early Retirement Date	None

The benefit provisions of the Township's Police Plan established by Township ordinances are in compliance with collective bargaining agreements.

**Summary of Significant Accounting Policies**

Financial information on the Township's Police Pension Plan is presented on the accrual basis of accounting as a fiduciary fund of the Township. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when paid as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Plan investments are reported at fair value as reported by the investment managers.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8    DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)**

**Contributions and Funding Policy**

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses, and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute a percentage of covered payroll (5% for Police). This contribution is governed by the Plan's governing ordinances and collective bargaining. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

**Plan Administration**

Management of the Police Pension Plan is overseen by a Pension Committee under Section 19 of the Plan Document. Per the Plan Document, the Police Pension Fund Board is comprised of 3 members appointed by the Board of Supervisors. The Police Pension Fund Board has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the members of the Police Pension Fund Board shall govern and be binding upon the employer, participants, and beneficiaries. The Police Pension Fund Board need not call or hold any meeting for the purpose of rendering decisions but such decisions may be evidenced by a written document signed by the members.

**Investment Policy**

The Police Pension Fund Board is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of December 31, 2016:

Asset Class	Minimum	Maximum	Target
Equities	25%	65%	60%
Fixed Income	30%	45%	35%
Cash Equivalents	0%	30%	5%

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8    DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)**

**Concentrations**

At December 31, 2016, the Police Pension Plan had the following investments which exceeded 5% or more of the Plan Net Assets:

Issuer	Type of Investment	Amount	Percentage of Investments of Plan Net Assets
Wells Fargo Bank	Negotiable Certificates of Deposit	\$ 1,232,267	25.39%
iShares Russell 1000 Values	Equity Mutual Funds	\$ 375,748	7.74%
iShares Russell 1000 Growth	Equity Mutual Funds	\$ 352,044	7.25%
iShares Russell 400 Value	Equity Mutual Funds	\$ 263,794	5.44%
iShares Russell 400 Growth	Equity Mutual Funds	\$ 249,314	5.14%

**Net Pension Liability**

The net pension liability of the plan as of the measurement date of December 31, 2016, was as follows:

Total Pension Liability	\$ 5,658,279
Plan Fiduciary Net Position	4,853,057
Net Pension Liability	<u>\$ 805,222</u>

Method and assumptions used to determine Net Pension Liability were as follows:

	<u>Police</u>
Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Actuarial Assumptions	
Investment Rate of Return	6.0%
Projected Salary Increases	4.0%
Inflation Rate Included	2.5%
Mortality Rate	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment with Projection Scale AA to 2015

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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8    DEFINED BENEFIT POLICE PENSION PLAN (CONTINUED)**

**Net Pension Liability (Continued)**

Best estimates of arithmetic real rate of return for each major asset class that is included in the pension plan's target asset allocation of December 31, 2016 are as follows:

Asset Class	Percent of Fund at December 31, 2016	Estimated Long-Term Rates of Return
Cash and Cash Alternatives	9%	0.20%
Equities	57%	7.6 - 8.3%
Commodities and REITs	1%	3.4 - 7.2%
Fixed Income Securities	33%	3.10%
Total Weighted Expected Return		5.72%

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability calculated using the discount rate of 6.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%), or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability	\$ 1,598,163	\$ 805,222	\$ 144,550

**Rate of Return on Investments**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for plan year 2016 was 8.10%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 NON-UNIFORMED (PMRS) PENSION PLANS**

**Plan Description**

The Township sponsors a defined benefit pension plan, the Non-Uniform Pension Plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Plan provisions are established by Township Ordinance with the authority for Township contributions required by Pennsylvania Act 205 (the Act).

The Township provides pension benefits for non-uniform municipal employees hired before January 1, 2011, through the Pennsylvania Municipal Retirement System (PMRS), a statewide local government system. PMRS is an agent multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of PMRS is vested in the eleven-member Pennsylvania Municipal Retirement Board. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, PA 17108-1165.

In addition to the defined benefit pension plan, the Township has elected to amend its Plan to add a Cash Balance Plan effective January 1, 2011. All non-uniform full-time employees hired after January 1, 2011, have mandatory membership in the Cash Balance Plan (through PMRS) and do not participate in the Non-Uniform Defined Benefit Plan described above. Cash Balance Plan members must contribute 2.5%, but can optionally contribute up to 17.5%, of their compensation to the Cash Balance Plan.

All assets of the Plan are held in a trust and are the assets of the PMRS and, therefore, will be excluded from the Township's financial statements. The assets of the Plan will be managed by the Board of PMRS and are placed in the custody of the Treasurer of the Commonwealth.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 9 PMRS PENSION PLANS (CONTINUED)**

**Plan Description (Continued)**

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's PMRS Plans:

	<u>Non-Uniform Defined Benefit</u>	<u>Non-Uniform Cash Balance</u>
Covered Employees	All Regular Employees Hired before 1/1/11, Excluding Sworn Police Officers	All Regular Employees Hired after 1/1/11, Excluding Sworn Police Officers
Number of Covered Active Employees	11	5
Number of Persons Receiving Benefits		
Retired Employees and Beneficiaries	3	0
Terminated Employees Vested but not Receiving Benefits	3	0
Current Annual Covered Payroll	\$773,513	\$227,816
Normal Retirement Date	After 60th Birthday and 5 Years of Service	After 60th Birthday and 5 Years of Service
Retirement Benefit	Equal 2.5% Times Credited Service Times Final Average Salary (FAS) but in no Event is the Basic Benefit Greater than 50% of FAS	Equal to a Single Life Annuity Starting on the Effective Date of Retirement with a Present Value Equal to all Monies Credited to the Member's Account
Early Retirement Date	Voluntary after 20 Years of Service	Voluntary after 20 Years of Service

The benefit provisions of the Township's Plan established by Township ordinances are in compliance with collective bargaining agreements.

The net pension asset of the PMRS Non-Uniform Defined Benefit plan as of the measurement date of December 31, 2015, was as follows:

Total Pension Liability	\$ 3,428,450
Plan Fiduciary Net Position	<u>3,385,046</u>
Net Pension Asset	<u>\$ 43,404</u>

The net pension liability of the PMRS Non-Uniform Cash Balance plan as of the measurement date of December 31, 2015, was as follows:

Total Pension Liability	\$ 57,241
Plan Fiduciary Net Position	<u>53,153</u>
Net Pension Liability	<u>\$ 4,088</u>



**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 9 PMRS PENSION PLANS (CONTINUED)**

**Net Pension Liability**

Method and assumptions used to determine Net Pension Liability for the PMRS' Plans were as follows:

	<u>PMRS Plans</u>
Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Actuarial Assumptions	
Investment Rate of Return	5.5%
Projected Salary Increases	3.3%
Inflation Rate Included	2.8%
Mortality Rate	Males: RP 2000 with 1 Year Setback Females: RP 2000 with 5 Year Setback

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. Best estimates of arithmetic real rate of return for each major asset class are included in the pension plan's target asset allocation.

**Discount Rate**

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flow to determine the discount rate assumed the contributions will be made at contractually required rates specified under Act 205. Act 205 requires full funding of the entry age normal cost plus Plan expenses in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 9 PMRS PENSION PLANS (CONTINUED)**

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability calculated using the discount rate of 5.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%), or 1-percentage-point higher (6.50%) than the current rate:

	PMERS Non-Uniform Defined Benefit Pension Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.50%)	Rate (5.50%)	(6.50%)
Net Pension (Asset) Liability	\$ 371,635	\$ 43,404	\$ (242,071)

	PMERS Non-Uniform Cash Balance Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.50%)	Rate (5.50%)	(6.50%)
Net Pension (Asset) Liability	\$ 15,536	\$ 4,088	\$ (7,360)

**Contributions and Funding Policy**

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees participating in the Defined Benefit Plan are required to contribute a percentage of covered payroll (3% for Non-Uniform defined benefit). This contribution is governed by the Plan's governing ordinances. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earnings.

Cash Balance Plan members may voluntarily contribute up to 17.5% of their compensation. Optional member contributions will be treated as taxed at the time of contribution, will be tracked separately by PMRS, and will not be treated as taxable when paid out to the member. The Township's contribution will be equal to the Member's contribution up to a maximum of 5% of the Member's compensation. The annual Basic Benefit will be equal to a single life annuity starting on the effective date of retirement with a present value equal to all monies credited to the Member's account.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 10 DEFERRED COMPENSATION PLANS**

The Township offers certain employees the option to participate in deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The Plans permit the employees to voluntarily defer a percentage of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The compensation deferred is managed by outside Trustees under various investment options. As a result, the deferred compensation plans are excluded from the accompanying financial statements.

**NOTE 11 RISK MANAGEMENT**

The Township is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions by elected officials, employees, and volunteers; personal injury and illness; and natural disasters. The Township carries various types of commercial insurance to manage certain risks of loss, and as a method of financing certain other risks, the Township joined the Delaware Valley Workers' Compensation Trust (DVWCT) and the Delaware Valley Insurance Trust (DVIT).

DVWCT is a regional municipal risk retention pool formed under the authority granted by the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation. The Trust provides a method of financing an employer's medical and indemnity obligations due to municipal employees under the Pennsylvania Workers' Compensation Act. The purpose and intent of the Trust is to reduce both the frequency and severity of work-related injury and occupational disease claims. The Trust is funded by its member municipalities by annual contributions, which are assessed at the beginning of each year.

DVIT is a regional municipal risk sharing pool providing general liability, automobile, public officials' liability, police professional liability, property and equipment, and crime coverages to local governments in the Commonwealth of Pennsylvania. DVIT was formed under the authority granted by the Pennsylvania Intergovernmental Cooperation Law and the Pennsylvania Political Subdivision Tort Claims Act. The Trust is funded by annual member contributions determined by the trust's actuary in amounts necessary to pay expected losses, administrative expenses, and a recommended risk margin or surplus. DVIT is a member of an excess risk-sharing pool and has three layers of excess coverage which allows the pool to provide a \$10,000,000 per claim liability coverage limit.

There were no significant reductions in coverage during the year ended December 31, 2016 and settlements have not exceeded coverage in the past three years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

For the year ended December 31, 2016, the majority of the Township's Fund expenditures were below budget except for the Capital Projects Fund. Due to a year-end accrual for work completed ahead of schedule for the Salt Building, the Capital Projects Fund ended in a negative reserve balance of \$158,125. Simultaneously with the construction of the Salt Building, the Township was exploring additional financing at the end of 2016. Due to adverse market conditions at that time, the borrowing was delayed until early 2017. Ordinance 2017-004 was enacted to incur debt of \$1,060,000 to finance capital projects and infrastructure improvements in the Township. The settlement of the new loan will restore the Capital Projects Fund to a positive net position.

**NOTE 13 CONTINGENCIES**

In the normal course of business there are various claims and suits pending against the Township. In the opinion of management and counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the financial condition of the Township.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Township believes the Township is in compliance with substantially all of the significant requirements of such grants.

**NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued the following that could impact the Township's financial statements in future years:

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local government employers and are not within the scope of GASB 68. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the December 31, 2017 year-end. The Township has not yet completed the process of evaluating the impact of GASB 73 on its financial statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). This statement establishes financial reporting for state and local governmental OPEB plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the December 31, 2017 year-end. The Township has determined that GASB 74 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. The Township has determined that GASB 75 will have no effect on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement No. 80 are effective for reporting periods beginning after June 15, 2016. The Township has determined that Statement No. 80 will have no effect on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The Township has determined that Statement No. 81 will have no effect on its financial statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 14, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for reporting periods beginning after June 15, 2016. The Township has not yet completed the process of evaluating the impact of GASB 82 on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No.83 are effective for reporting periods beginning after June 15, 2018. The Township has not yet completed the process of evaluating the impact of GASB 83 on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No.84 are effective for reporting periods beginning after December 15, 2018. The Township has not yet completed the process of evaluating the impact of GASB 84 on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions in Statement No.85 are effective for reporting periods beginning after June 15, 2017. The Township has not yet completed the process of evaluating the impact of GASB 85 on its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICE PENSION PLAN – SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2016**

	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability			
Service Cost	\$ 295,026	\$ 294,257	\$ 282,939
Interest	345,166	323,953	301,611
Benefit Payments	(271,707)	(216,989)	(207,361)
Difference Between Actual and Expected Experience, if any	(598,822)	(474,839)	-
Assumption Changes	-	454,526	-
Net Change in Total Pension Liability	(230,337)	380,908	377,189
Total Pension Liability - Beginning	5,888,616	5,507,708	5,130,519
Total Pension Liability - Ending (a)	<u>\$ 5,658,279</u>	<u>\$ 5,888,616</u>	<u>\$ 5,507,708</u>
Plan Fiduciary Net Position			
Contribution - Employer and State Aid	\$ 382,265	\$ 369,529	\$ 281,351
Contribution - Member	67,592	64,902	63,060
Net Investment Income	366,526	19,684	198,682
Benefit Payments	(271,707)	(216,989)	(207,361)
Administrative Expense	(30,886)	(39,629)	(27,088)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	513,790	197,497	308,644
Plan Fiduciary Net Position - Beginning	4,339,267	4,141,770	3,833,126
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,853,057</u>	<u>\$ 4,339,267</u>	<u>\$ 4,141,770</u>
Net Pension Liability (a-b)	<u>\$ 805,222</u>	<u>\$ 1,549,349</u>	<u>\$ 1,365,938</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.77%	73.69%	75.20%
Covered Employee Payroll	\$ 1,351,832	\$ 1,292,897	\$ 1,247,495
Net Pension Liability as a Percentage of Covered Employee Payroll	59.57%	119.84%	109.49%

\*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.



**SOLEBURY TOWNSHIP, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICE PENSION PLAN – SCHEDULES OF EMPLOYER CONTRIBUTIONS,  
INVESTMENT RETURNS, AND EMPLOYER'S NET PENSION LIABILITY  
CALCULATED IN ACCORDANCE WITH GASB 67  
DECEMBER 31, 2016**

Schedule of Employer Contributions\*

Measurement Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 255,864	\$ 281,351	\$ (25,487)	\$ 1,247,495	22.55%
2015	245,393	369,529	(124,136)	1,292,897	28.58%
2016	382,265	382,265	-	1,351,832	28.28%

Schedule of Investment Returns\*

Actual Money Weighted Rate of Return, Net of Investment Expense	2016	2015	2014
	8.10%	0.20%	4.80%

Note: Actuarially determined contributions are determined in accordance with Pennsylvania Act 205. Assumptions used for contribution requirements match those used for GASB purposes except as noted below:

	Police
Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Remaining Amortization Period	7 Years
Asset Valuation Method	Adjusted Market Value
Actuarial Assumptions	
Long-term Investment Rate of Return	6.0%
Projected Salary Increases	4.0%
Inflation Rate Included	2.5%
Mortality Rate	RP-2000 Combined Health Mortality Table with Blue Collar Adjustment with Projection Scale AA to 2015

\*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NON-UNIFORM PENSION PLAN – SCHEDULE OF CHANGES IN THE EMPLOYER'S**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2016**

	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability		
Service Cost	\$ 111,033	\$ 119,638
Interest	182,888	186,433
Benefit Payments	(214,883)	(91,581)
Difference Between Actual and Expected, if any	(18,223)	(191,304)
Assumption Changes	29,214	-
Net Change in Total Pension Liability	90,029	23,186
Total Pension Liability - Beginning	3,338,421	3,315,235
Total Pension Liability - Ending (a)	<u>\$ 3,428,450</u>	<u>\$ 3,338,421</u>
Plan Fiduciary Net Position		
Contribution - Employer	\$ 73,287	\$ 77,552
Contribution - Member	22,190	22,785
Net Investment Income	(69,789)	105,365
Benefit Payments	(214,883)	(91,581)
Administrative Expense	(9,050)	(7,812)
Other	-	-
Net Change in Plan Fiduciary Net Position	(198,245)	106,309
Plan Fiduciary Net Position - Beginning	3,583,291	3,476,982
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,385,046</u>	<u>\$ 3,583,291</u>
Net Pension Asset (a-b)	<u>\$ 43,404</u>	<u>\$ (244,870)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.73%	107.33%
Covered Employee Payroll	\$ 733,513	\$ 779,883
Net Pension Asset as a Percentage of Covered Employee Payroll	5.92%	-31.40%

\*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
NON-UNIFORM PENSION PLAN – SCHEDULES OF EMPLOYER CONTRIBUTIONS  
AND EMPLOYER'S NET PENSION LIABILITY  
DECEMBER 31, 2016**

Schedule of Employer Contributions\*

Measurement Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 76,807	\$ 77,552	\$ (745)	\$ 779,883	9.94%
2015	\$ 73,287	\$ 73,287	\$ -	\$ 733,513	9.99%

Note: Actuarially determined contributions are determined in accordance with Pennsylvania Act 205. Assumptions used for contribution requirements match those used for GASB purposes except as noted below:

Non-Uniform Defined Benefit

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	4 Years
Asset Valuation Method	Adjusted Market Value

Actuarial Assumptions	
Investment Rate of Return	5.5%
Projected Salary Increases	3.0%
Inflation Rate Included	2.8%

\*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NON-UNIFORM CASH BALANCE PLAN – SCHEDULE OF CHANGES**  
**IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2016**

	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability		
Service Cost	\$ 19,140	\$ 16,035
Interest	2,333	1,338
Benefit Payments	-	-
Difference Between Actual and Expected, if any	1	-
Assumption Changes	-	-
Net Change in Total Pension Liability	21,474	17,373
Total Pension Liability - Beginning	35,767	18,394
Total Pension Liability - Ending (a)	<u>\$ 57,241</u>	<u>\$ 35,767</u>
Plan Fiduciary Net Position		
Contribution - Employer	\$ 9,572	\$ 7,620
Contribution - Member	9,570	8,094
Net Investment Income	(1,067)	1,425
Benefit Payments	-	(269)
Administrative Expense	(202)	(115)
Other	-	-
Net Change in Plan Fiduciary Net Position	17,873	16,755
Plan Fiduciary Net Position - Beginning	35,280	18,525
Plan Fiduciary Net Position - Ending (b)	<u>\$ 53,153</u>	<u>\$ 35,280</u>
Net Pension Liability (a-b)	<u>\$ 4,088</u>	<u>\$ 487</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.86%	98.64%
Covered Employee Payroll	\$ 227,816	\$ 175,530
Net Pension Liability as a Percentage of Covered Employee Payroll	1.79%	0.28%

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
NON-UNIFORM CASH BALANCE PLAN – SCHEDULES OF EMPLOYER  
CONTRIBUTIONS AND EMPLOYER'S NET PENSION LIABILITY  
DECEMBER 31, 2016**

Schedule of Employer Contributions\*

Measurement Year Ended December 31,	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 8,001	\$ 7,620	\$ 381	\$ 175,530	4.34%
2015	\$ 9,670	\$ 9,572	\$ 98	\$ 227,816	4.20%

Note: Actuarially determined contributions are determined in accordance with Pennsylvania Act 205. Assumptions used for contribution requirements match those used for GASB purposes except as noted below:

Non-Uniform Cash Balance

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	4 Years
Asset Valuation Method	Adjusted Market Value

Actuarial Assumptions	
Investment Rate of Return	5.5%
Projected Salary Increases	3.0%
Inflation Rate Included	2.8%

\*Schedules are intended to show information for 10 years. Additional years will be disclosed as they become available, in future years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Real Estate Taxes	\$ 1,936,450	\$ 1,936,450	\$ 1,931,662	\$ (4,788)
Real Estate Transfer Taxes	450,000	550,000	649,774	99,774
Earned Income Taxes	2,800,000	2,800,000	2,954,420	154,420
Licenses and Permits	231,250	231,250	238,949	7,699
Fines, Forfeits, and Costs	41,100	41,100	29,403	(11,697)
Interest and Rents	30,000	30,000	36,045	6,045
Intergovernmental	317,400	317,400	410,978	93,578
Charges for Services	259,600	259,600	306,766	47,166
Refunds and Miscellaneous	2,500	2,500	88,970	86,470
Total Revenues	6,068,300	6,168,300	6,646,967	478,667
<b>EXPENDITURES</b>				
General Government:				
Legislative	11,000	11,000	9,075	1,925
Tax Collection	23,612	23,612	22,473	1,139
Legal	85,000	120,000	105,723	14,277
General Government Administration	715,200	715,200	671,898	43,302
General Government Buildings	170,600	173,100	173,434	(334)
Total General Government	1,005,412	1,042,912	982,603	60,309
Public Safety:				
Police	1,704,425	1,704,425	1,622,990	81,435
Fire	140,000	140,000	127,628	12,372
Zoning and Planning	348,000	353,000	314,883	38,117
Total Public Safety	2,192,425	2,197,425	2,065,501	131,924
Public Works	544,500	544,500	415,335	129,165
Culture and Recreation	2,875	2,875	2,875	-
Miscellaneous:				
Employee Benefits	934,800	934,800	845,723	89,077
Pension	493,265	493,265	534,225	(40,960)
Insurance	98,500	98,499	93,165	5,334
Total Miscellaneous	1,526,565	1,526,564	1,473,113	53,451
Total Expenditures	5,271,777	5,314,276	4,939,427	374,849
Excess of Revenues Over Expenditures	796,523	854,024	1,707,540	853,516
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	75,000	-
Transfers Out	(800,000)	(800,000)	(1,230,000)	(430,000)
Total Other Financing Uses	(725,000)	(725,000)	(1,155,000)	(430,000)
Net Changes in Fund Balances	\$ 71,523	\$ 129,024	552,540	\$ 423,516
Fund Balance - Beginning of Year			2,181,913	
Fund Balance - End of Year			\$ 2,734,453	

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISONS  
DECEMBER 31, 2016**

**NOTE 1 BUDGETARY DATA**

The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Thirty days prior to the final supervisor's meeting in December, a proposed operating budget for the fiscal year commencing the following January 1 is submitted. The operating budget includes proposed expenses and the means of financing them.
- B. The proposed operating budget is advertised in the newspaper at least thirty days prior to the final budget hearing.
- C. At the last Board of Supervisors' meeting in December, the budget is adopted by resolution.
- D. Within 30 days of adoption, the approved budget is advertised in the newspaper as being approved and available for inspection.
- E. Budgetary data are included in the Township management information system and are employed as a management control device during the year.
- F. Legal budgetary control is maintained by the Township Manager with the assistance of the Treasurer at the Fund level. Budget transfers must be approved by the Board of Supervisors.

**NOTE 2 BASIS OF ACCOUNTING**

The budget is prepared on the same modified accrual basis of accounting as applied to the Governmental funds in the basic financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

## **OTHER SUPPLEMENTARY INFORMATION**



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR DEBT SERVICE FUND**  
**WITH LEGALLY ADOPTED BUDGET – DEBT SERVICE FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Real Estate Taxes	\$ 3,073,625	\$ 3,073,625	\$ 3,050,359	\$ (23,266)
Interest and Rents, Net	1,400	1,400	-	(1,400)
Total Revenues	3,075,025	3,075,025	3,050,359	(24,666)
<b>EXPENDITURES</b>				
Debt Service:				
Principal	2,453,000	2,453,000	2,453,000	-
Interest	672,416	672,416	599,425	72,991
Note Issuance Costs	3,000	3,000	-	3,000
Total Expenditures	3,128,416	3,128,416	3,052,425	75,991
Excess of Revenues Over (Under)				
Expenditures	(53,391)	(53,391)	(2,066)	51,325
Other Financing Sources				
Proceeds from Note Issuance	-	-	-	-
Payment to Redeem Bonds	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Changes in Fund Balances	<u>\$ (53,391)</u>	<u>\$ (53,391)</u>	(2,066)	<u>\$ 51,325</u>
Fund Balance - Beginning of Year			466,280	
Fund Balance - End of Year			<u>\$ 464,214</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**WITH LEGALLY ADOPTED BUDGET – LAND PRESERVATION FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Interest	\$ 14,100	\$ 14,100	\$ 17,099	\$ 2,999
Total Revenues	14,100	14,100	17,099	2,999
<b>EXPENDITURES</b>				
Preservation of Natural Resources:				
Land Preservation	651,450	651,450	54,070	597,380
Ingham Spring	-	-	-	-
Total Expenditures	651,450	651,450	54,070	597,380
Excess of Revenues Over (Under)				
Expenditures	(637,350)	(637,350)	(36,971)	600,379
Other Financing Uses				
Transfers Out	(75,000)	(75,000)	(75,000)	-
Total Other Financing Uses	(75,000)	(75,000)	(75,000)	-
Net Changes in Fund Balances	<u>\$ (712,350)</u>	<u>\$ (712,350)</u>	(111,971)	<u>\$ 600,379</u>
Fund Balance - Beginning of Year			<u>2,680,805</u>	
Fund Balance - End of Year			<u>\$ 2,568,834</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**WITH LEGALLY ADOPTED BUDGET – ROADS AND BRIDGES CAPITAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 165,000	\$ 165,000	\$ 165,000	\$ -
Charges for Services	500	500	-	(500)
Interest and Rents, Net	350	350	518	168
Total Revenues	165,850	165,850	165,518	(332)
<b>EXPENDITURES</b>				
Public Works	299,000	514,000	455,708	58,292
Total Expenditures	299,000	514,000	455,708	58,292
Excess of Revenues Over (Under)				
Expenditures	(133,150)	(348,150)	(290,190)	57,960
Other Financing Sources				
Transfers In	310,000	310,000	310,000	-
Total Other Financing Sources	310,000	310,000	310,000	-
Net Changes in Fund Balances	<u>\$ 176,850</u>	<u>\$ (38,150)</u>	19,810	<u>\$ 57,960</u>
Fund Balance - Beginning of Year		215,000	130,929	
Fund Balance - End of Year			<u>\$ 150,739</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**WITH LEGALLY ADOPTED BUDGET – CAPITAL RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest and Rents, Net	-	-	-	-
Total Revenues	-	-	-	-
<b>EXPENDITURES</b>				
General Government	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under)				
Expenditures	-	-	-	-
Other Financing Sources				
Transfers In	100,000	500,000	500,000	-
Transfers Out	(450,000)	(450,000)	(450,000)	-
Total Other Financing Sources	(350,000)	50,000	50,000	-
Net Changes in Fund Balances	<u>\$ (350,000)</u>	<u>\$ 50,000</u>	50,000	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>1,190,888</u>	
Fund Balance - End of Year			<u>\$ 1,240,888</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**WITH LEGALLY ADOPTED BUDGET – CAPITAL PROJECTS FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>EXPENDITURES</b>				
General Government	2,432,000	2,432,000	1,531,965	900,035
Total Expenditures	2,432,000	2,432,000	1,531,965	900,035
Excess of Revenues Over (Under)				
Expenditures	(2,432,000)	(2,432,000)	(1,531,965)	900,035
Other Financing Sources				
Proceeds of Refunding Bonds	1,974,811	1,974,811	849,811	(1,125,000)
Transfers In	450,000	450,000	450,000	-
Total Other Financing Sources	2,424,811	2,424,811	1,299,811	(1,125,000)
Net Changes in Fund Balances	<u>\$ (7,189)</u>	<u>\$ (7,189)</u>	(232,154)	<u>\$ (224,965)</u>
Fund Balance - Beginning of Year			74,029	
Fund Balance - End of Year			<u>\$ (158,125)</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR SPECIAL REVENUE FUND**  
**WITH LEGALLY ADOPTED BUDGET – NATURAL RESOURCES FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Interest and Rents	\$ -	\$ -	\$ 746	\$ 746
Charges for Services	\$ 9,000	\$ 9,000	\$ 334,769	\$ 325,769
Total Revenues	9,000	9,000	335,515	326,515
<b>EXPENDITURES</b>				
Preservation of Natural Resources	64,500	64,500	254,561	(190,061)
Total Expenditures	64,500	64,500	254,561	(190,061)
Excess of Revenues Over (Under)				
Expenditures	(55,500)	(55,500)	80,954	136,454
Other Financing Sources				
Proceeds of Refunding Bonds	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Changes in Fund Balances	<u>\$ (55,500)</u>	<u>\$ (55,500)</u>	80,954	<u>\$ 136,454</u>
Fund Balance - Beginning of Year			126,696	
Fund Balance - End of Year			<u>\$ 207,650</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

The Township's nonmajor funds are as follows:

**Special Revenue Funds**

Account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township.

- Fire Protection Tax Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund local fire protection needs.
- Park and Recreation Fund – Accounts for operations of the Township's recreational programs and events, which are funded in large part by user fees.
- Highway Aid Fund – Accounts for revenues from the distribution of a portion of the state gasoline tax, which are used to fund allowable highway-related expenditures.
- Ambulance Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund local ambulance needs.
- Library Fund – Accounts for revenues from a share of the Township's real estate taxes, which are used to fund library needs.

**Capital Project Funds**

Account for financial resources intended to be used for the acquisition, construction, or reconstruction of Township assets and facilities.

- Capital Equipment Reserve Fund – Accounts for the continued updating and replacement of Township equipment, which is funded primarily by interfund transfers from the General Fund.
- Park and Recreational Capital Fund – Accounts for capital improvements to the Township's park and recreation facilities, which are funded by fees in lieu of land dedication from developers.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Special Revenue					Capital Projects		Total Nonmajor Governmental Funds
	Fire Protection Tax	Park and Recreation	Highway Aid	Ambulance	Library	Capital Equipment Reserve	Park and Recreation Capital	
<b>ASSETS</b>								
Cash	\$ 11,090	\$ 124,889	\$ 240,900	\$ -	\$ 3,033	\$ 169,684	\$ 177,760	\$ 727,356
Taxes Receivable	11,060	-	-	-	2,339	-	-	13,399
Prepaid Expenses	-	-	-	-	-	5,000	-	5,000
Total Assets	<u>\$ 22,150</u>	<u>\$ 124,889</u>	<u>\$ 240,900</u>	<u>\$ -</u>	<u>\$ 5,372</u>	<u>\$ 174,684</u>	<u>\$ 177,760</u>	<u>\$ 745,755</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ 10,591	\$ 3,379	\$ 1,448	\$ -	\$ 3,300	\$ 187	\$ 9,140	\$ 28,045
Total Liabilities	<u>10,591</u>	<u>3,379</u>	<u>1,448</u>	<u>-</u>	<u>3,300</u>	<u>187</u>	<u>9,140</u>	<u>28,045</u>
Deferred Inflow of Resources								
Unavailable Revenue - Property Taxes	<u>3,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>767</u>	<u>-</u>	<u>-</u>	<u>4,394</u>
Total Deferred Inflow of Resources	<u>3,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>767</u>	<u>-</u>	<u>-</u>	<u>4,394</u>
Fund Balances								
Nonspendable	-	-	-	-	-	5,000	-	5,000
Restricted	7,932	-	239,452	-	1,305	-	-	248,689
Committed	-	121,510	-	-	-	169,497	168,620	459,627
Total Fund Balances	<u>7,932</u>	<u>121,510</u>	<u>239,452</u>	<u>-</u>	<u>1,305</u>	<u>174,497</u>	<u>168,620</u>	<u>713,316</u>
Total Liabilities and Fund Balances	<u>\$ 22,150</u>	<u>\$ 124,889</u>	<u>\$ 240,900</u>	<u>\$ -</u>	<u>\$ 5,372</u>	<u>\$ 174,684</u>	<u>\$ 177,760</u>	<u>\$ 745,755</u>



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Special Revenue					Capital Projects		Total
	Fire Protection Tax	Park and Recreation	Highway Aid	Ambulance	Library	Capital Equipment Reserve	Park and Recreation Capital	Nonmajor Governmental Funds
<b>REVENUES</b>								
Real Estate Taxes	\$ 424,064	\$ -	\$ -	\$ -	\$ 90,695	\$ -	\$ -	\$ 514,759
Interest and Rents	-	-	1,238	-	-	-	789	2,027
Intergovernmental	-	-	357,985	-	-	-	-	357,985
Charges for Services	-	56,071	-	-	-	-	-	56,071
Miscellaneous	-	1,500	-	-	-	14,948	4,100	20,548
Total Revenues	424,064	57,571	359,223	-	90,695	14,948	4,889	951,390
<b>EXPENDITURES</b>								
General Government	-	-	-	-	-	36,716	-	36,716
Public Safety	419,090	-	-	100,000	-	107,096	-	626,186
Public Works	-	-	307,423	-	-	49,810	-	357,233
Culture and Recreation	-	193,039	-	-	90,800	-	155,336	439,175
Total Expenditures	419,090	193,039	307,423	100,000	90,800	193,622	155,336	1,459,310
Excess of Revenues Over (Under) Expenditures	4,974	(135,468)	51,800	(100,000)	(105)	(178,674)	(150,447)	(507,920)
Other Financing Sources								
Transfers In	-	140,000	-	100,000	-	135,000	45,000	420,000
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources	-	140,000	-	100,000	-	135,000	45,000	420,000
Net Changes in Fund Balances	4,974	4,532	51,800	-	(105)	(43,674)	(105,447)	(87,920)
Fund Balances - Beginning of Year	2,958	116,978	187,652	-	1,410	218,171	274,067	801,236
Fund Balances - End of Year	\$ 7,932	\$ 121,510	\$ 239,452	\$ -	\$ 1,305	\$ 174,497	\$ 168,620	\$ 713,316

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Fire Protection Tax			Park and Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ 428,750	\$ 424,064	\$ (4,686)	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	60,700	56,071	(4,629)
Miscellaneous	-	-	-	-	1,500	1,500
Total Revenues	428,750	424,064	(4,686)	60,700	57,571	(3,129)
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Public Safety	428,750	419,090	9,660	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	208,775	193,039	15,736
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	428,750	419,090	9,660	208,775	193,039	15,736
Excess of Revenues Over (Under)						
Expenditures	-	4,974	4,974	(148,075)	(135,468)	12,607
Other Financing Sources						
Transfers In	-	-	-	140,000	140,000	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	140,000	140,000	-
Net Changes in Fund Balances	\$ -	4,974	\$ 4,974	\$ (8,075)	4,532	\$ 12,607
Fund Balances - Beginning of Year		2,958			116,978	
Fund Balances - End of Year		\$ 7,932			\$ 121,510	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

	Highway Aid		
	Budget	Actual	Variance
<b>REVENUES</b>			
Real Estate Taxes	\$ -	\$ -	\$ -
Interest and Rents	750	1,238	488
Intergovernmental	348,000	357,985	9,985
Charges for Services	-	-	-
Miscellaneous	-	-	-
Total Revenues	348,750	359,223	10,473
<b>EXPENDITURES</b>			
General Government	-	-	-
Public Safety	-	-	-
Public Works	396,500	307,423	89,077
Culture and Recreation	-	-	-
Preservation of Natural Resources	-	-	-
Total Expenditures	396,500	307,423	89,077
Excess of Revenues Over (Under)			
Expenditures	(47,750)	51,800	99,550
Other Financing Sources			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources	-	-	-
Net Changes in Fund Balances	<u>\$ (47,750)</u>	51,800	<u>\$ 99,550</u>
Fund Balances - Beginning of Year		<u>187,652</u>	
Fund Balances - End of Year		<u>\$ 239,452</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

	Capital Equipment Fund			Park and Recreation Capital		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	1,000	789	(211)
Intergovernmental	-	-	-	1,435,000	-	(1,435,000)
Charges for Services	-	-	-	8,000	-	(8,000)
Miscellaneous	8,000	14,948	6,948	-	4,100	4,100
Total Revenues	8,000	14,948	6,948	1,444,000	4,889	(1,439,111)
<b>EXPENDITURES</b>						
General Government	42,000	36,716	5,284	-	-	-
Public Safety	112,500	107,096	5,404	-	-	-
Public Works	50,000	49,810	190	-	-	-
Culture and Recreation	-	-	-	218,000	155,336	62,664
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	204,500	193,622	10,878	218,000	155,336	62,664
Excess of Revenues Over (Under)						
Expenditures	(196,500)	(178,674)	17,826	1,226,000	(150,447)	(1,376,447)
Other Financing Sources						
Transfers In	105,000	135,000	30,000	45,000	45,000	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	105,000	135,000	30,000	45,000	45,000	-
Net Changes in Fund Balances	<u>\$ (91,500)</u>	<u>(43,674)</u>	<u>\$ 47,826</u>	<u>\$ 1,271,000</u>	<u>(105,447)</u>	<u>\$ (1,376,447)</u>
Fund Balances (Deficit) - Beginning of Year		<u>218,171</u>			<u>274,067</u>	
Fund Balances - End of Year		<u>\$ 174,497</u>			<u>\$ 168,620</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**MODIFIED ACCRUAL BASIS – BUDGET AND ACTUAL –**  
**NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

	Library Fund			Ambulance Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ 91,130	\$ 90,695	\$ (435)	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	91,130	90,695	(435)	-	-	-
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	100,000	100,000	-
Public Works	-	-	-	-	-	-
Culture and Recreation	91,000	90,800	200	-	-	-
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	91,000	90,800	200	100,000	100,000	-
Excess of Revenues Over (Under)						
Expenditures	130	(105)	(235)	(100,000)	(100,000)	-
Other Financing Uses						
Transfers In	-	-	-	100,000	100,000	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Uses	-	-	-	100,000	100,000	-
Net Changes in Fund Balances	<u>\$ 130</u>	<u>(105)</u>	<u>\$ (235)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances - Beginning of Year		<u>1,410</u>			<u>-</u>	
Fund Balances - End of Year		<u>\$ 1,305</u>			<u>\$ -</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**FIDUCIARY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES – AGENCY FUNDS**  
**DECEMBER 31, 2016**

	Sports Organizations Agency Fund	Escrow Agency Fund	Total Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 85,157	\$ 829,154	\$ 914,311
Bank Certificates of Deposit	-	-	-
Amount Due from Other Funds	-	-	-
Total Assets	<u>\$ 85,157</u>	<u>\$ 829,154</u>	<u>\$ 914,311</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,189	\$ 11,232	\$ 12,421
Deposits Payable	-	817,922	817,922
Amounts Held for Other Organizations	83,968	-	83,968
Total Liabilities	<u>\$ 85,157</u>	<u>\$ 829,154</u>	<u>\$ 914,311</u>