

**SOLEBURY TOWNSHIP, PENNSYLVANIA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Solebury Township  
Solebury, 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, 2017, 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, 2017, 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***

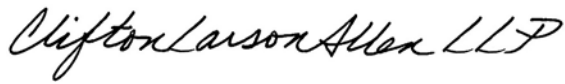
#### ***Required Supplementary Information***

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, 50-55, and 56-57 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 58-70 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 20, 2018

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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, 2017. 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 growing economy and continued focus on expense control. Overall, revenues increased by 8.9%, primarily in Earned Income Tax (5%), and Real Estate Tax (2.3%).
- In 2017, the Township issued a General Obligation Bond, Series A of 2017, in the amount of \$6,125,000 to refund the Township's General Obligation Note Series 2014, at a lower interest rate averaging 1.5%. The refinancing saved the Township approximately \$215,000 over the remaining life of the debt.
- The Township incurred new debt of \$1,060,000 in 2017, to finance various capital improvement projects. These projects include the planning, construction, renovation and improvement of various Township buildings and facilities, including a salt storage building, a police facility, and a multi-purpose recreational field.
- The Township constructed a new multi-purpose recreation field in 2017. The project was made possible by the capital reserve funds available to the Township, along with donations from several Township residents.
- During 2017, Moody's reaffirmed the Township's rating of Aa2 with a stable outlook. The rating reflects the consistent growth of the General Fund Balance over the last six 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, 2017  
(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 Budgetary Comparison Schedules (found on pages 50 through 57) 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 58) 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, 2017  
(Unaudited)**

**USING THIS ANNUAL REPORT (CONTINUED)**

**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, 2017  
(Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 – Solebury Township's Net Position

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 9,247,196	\$ 9,206,549
Capital Assets	46,425,703	46,383,085
Total Assets	<u>55,672,899</u>	<u>55,589,634</u>
Deferred Charge on Refunding	76,340	16,110
Deferred Outflows from Pension	533,574	788,672
Total Deferred Outflows of Resources	<u>609,914</u>	<u>804,782</u>
Current Liabilities	502,340	770,438
Noncurrent Liabilities	23,932,682	26,699,145
Total Liabilities	<u>24,435,022</u>	<u>27,469,583</u>
Deferred Inflows from Pension	1,307,685	1,004,408
Total Deferred Inflows of Resources	<u>1,307,685</u>	<u>1,004,408</u>
Net Position		
Net Investment in Capital Assets	22,790,850	20,869,260
Restricted	3,284,822	3,432,476
Unrestricted	4,621,366	3,618,689
Total Net Position	<u><u>\$ 30,697,038</u></u>	<u><u>\$ 27,920,425</u></u>

The Township's net position increased for a sixth consecutive year. The net increase of \$2,776,613 is a result of the Township's investment in capital assets, specifically the completion of the Public Works Salt Storage Building, and a reduction the Township's debt, coupled with increased tax revenue.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(Unaudited)**

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

Table 2 – Solebury Township's Change in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 742,955	\$ 1,031,125
Operating Grants and Contributions	744,526	798,366
Capital Grants and Contributions	1,267,500	179,948
General Revenues:		
Real Estate Taxes	5,534,160	5,409,923
Real Estate Transfer Taxes	619,855	649,774
Earned Income Taxes	3,083,466	2,925,785
Interest and Rents	46,885	56,435
Gain(Loss) on Sale of Asset	(10,446)	-
Total Revenues	<u>12,028,901</u>	<u>11,051,356</u>
Expenses:		
General Government	1,842,057	1,588,433
Public Safety	3,674,477	3,714,568
Public Works	1,351,426	1,631,892
Culture and Recreation	1,682,462	547,624
Preservation of Natural Resources	51,305	302,834
Interest on Long-Term Debt	650,561	633,197
Total Expenses	<u>9,252,288</u>	<u>8,418,548</u>
Change in Net Position	2,776,613	2,632,808
Net Position - Beginning of Year	<u>27,920,425</u>	<u>25,287,617</u>
Net Position - End of Year	<u><u>\$ 30,697,038</u></u>	<u><u>\$ 27,920,425</u></u>

The overall net position of the Township increased \$2.7 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
- Increased revenue from Real Estate Tax and Earned Income Tax due to stronger collections and a stronger economy. Overall debt levels decreased, and interest costs decreased as a result of debt refinancing
- Continued low cost of debt due to Township's high bond rating
- Reasonably funded pension plans: Police 99.53%; Non-Uniform-Defined Benefit 105.31% and Non-Uniform Cash Balance 95.18%

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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 \$7,921,969 to \$8,099,917 between fiscal years 2016 and 2017.

	<u>2017</u>	<u>2016</u>
Cash and Investments	\$ 7,802,993	\$ 7,746,596
Taxes and Other Receivables	1,422,079	1,440,160
Prepaid Items	22,124	19,793
Total Assets	<u>\$ 9,247,196</u>	<u>\$ 9,206,549</u>
Accounts Payable	\$ 445,201	\$ 665,098
Total Liabilities	<u>445,201</u>	<u>665,098</u>
Deferred Inflow of Resources	702,078	619,482
Fund Balances		
Nonspendable	22,124	19,793
Restricted	3,280,854	3,432,476
Committed	2,001,500	1,750,040
Unassigned	<u>2,795,439</u>	<u>2,719,660</u>
Total Fund Balances	<u>8,099,917</u>	<u>7,921,969</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,247,196</u>	<u>\$ 9,206,549</u>

The 2% 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, 2017  
(Unaudited)**

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

**Change in Fund Balances**

For the years ended December 31, 2017 and 2016, the Township's total Governmental fund balances changed as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Service	\$ 403,890	\$ 697,606
Operating Grants and Contributions	1,083,591	1,131,885
Capital Grants and Contributions	1,267,500	179,948
General Revenues:		
Real Estate Taxes	5,494,358	5,496,780
Real Estate Transfer Taxes	619,855	649,774
Earned Income Taxes	3,040,672	2,954,420
Interest and Rents	46,887	56,435
Other Financing Sources:		
Issuance of Refunding Note	500,000	849,811
Total Revenues and Other Financing Sources	<u>19,063,639</u>	<u>12,016,659</u>
Expenditures		
General Government	1,707,806	1,287,878
Public Safety	3,968,346	3,651,268
Public Works	1,212,485	1,450,483
Culture and Recreation	1,599,306	464,816
Preservation of Natural Resources	265,901	308,631
Capital Outlay	409,486	1,531,965
Debt Service	3,197,761	3,052,425
Other Financing Uses		
Redemption of Bond	6,524,599	-
Total Expenditures and Other Financing Uses	<u>18,885,691</u>	<u>11,747,466</u>
Change in Fund Balances	177,948	269,193
Fund Balances - Beginning	<u>7,921,969</u>	<u>7,652,776</u>
Fund Balances - Ending	<u><u>\$ 8,099,917</u></u>	<u><u>\$ 7,921,969</u></u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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 58.

For the year ended December 31, 2017, the General Fund revenues exceeded budget by \$287,137 and expenditures were below budget by approximately \$193,000 prior the close of the year. The increase in revenue is directly attributable to greater than expected collections of Earned Income Taxes, Real Estate Taxes and Program Revenue. The decrease in expenses is due to the Administration's efforts to minimize expense outlays coupled with a 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 continue its efforts to build reserves by transferring funds from the General Fund as follows: \$225,000 to the Capital Reserve Fund; \$50,000 to the Capital Projects Fund; \$100,000 to the Roads & Bridges Fund; and approximately \$125,000 to the Park Capital Fund to finance the Gateway Trail Project. These steps enhanced the Township's financial security and ability to fund future capital expenditures

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Table 3 – Capital Assets, Net of Depreciation

	<u>2017</u>	<u>2016</u>
Land, Land Easements, and Construction in Progress	\$ 33,070,501	\$ 32,878,394
Land Improvements	17,731	19,818
Park Improvements	2,998,008	3,079,078
Buildings and Improvements	6,293,838	6,579,454
Vehicles and Equipment	592,323	618,291
Furniture and Equipment	226,908	190,612
Infrastructure	3,226,394	3,017,438
Total	<u>\$ 46,425,703</u>	<u>\$ 46,383,085</u>

The change in Capital Assets is primarily due to the completion of the Public Works Salt Storage Building and the Route 202 Greenway Trail Project and depreciation.

**Capital Debt**

At December 31, 2017 and 2016, the Township had \$23,111,538 and \$25,455,535, respectively, in long-term debt outstanding. Principal and interest payments in 2017 were \$2,499,000 and \$612,506, respectively, and in 2016 were \$2,453,000 and \$599,425. With the exception of the General Obligation Bonds, Series 2012A and Series 2017, and General Obligation Note Series 2017, 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, 2017  
(Unaudited)**

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

Table 4 – Outstanding Debt

	<u>2017</u>	<u>2016</u>
General Obligation Notes	\$ 13,636,538	\$ 21,380,535
General Obligation Bonds	<u>9,475,000</u>	<u>4,065,000</u>
Total General Obligation Notes and Bonds	<u>\$ 23,111,538</u>	<u>\$ 25,445,535</u>

The Township continued its debt repayment plan during 2017, reducing outstanding debt. The Township did refinance General Obligation Note Series 2014 at a lower interest rate and also 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 2018 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 borrowed approximately \$1 million in 2017 to fund upgrades to the Police Department facilities which will be completed during 2018.

The 2018 Budget included a voter approved tax increase of .55 mills specifically directed toward 24-hour ambulance service in the Township. In addition, the remaining tax millage was reallocated as follows: 7.215 for the General Fund; .4048 for the Library Fund; 12.5303 mills for the Debt Service Fund; 1.75 mills for the Fire Fund; and .9599 mills for the EMS Fund. The reallocation was made to direct revenue where needed. These changes will fund 24-hour ambulance service and continue paying down the debt service. 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, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,736,596
Investments	2,066,397
Accounts Receivable	102,874
Real Estate Taxes Receivable	114,258
Real Estate Transfer Taxes Receivable	45,062
Earned Income Taxes Receivable	1,159,885
Prepaid Expenses	22,124
Capital Assets Not Being Depreciated:	
Land	3,344,871
Conservation Easements	29,725,630
Other Capital Assets, Net of Depreciation	13,355,202
Net Pension Asset	156,932
Total Assets	<u>55,829,831</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge on Refunding	76,340
Deferred Outflows from Pension	533,574
Total Deferred Outflows of Resources	<u>609,914</u>
<b>LIABILITIES</b>	
Accounts Payable	445,201
Accrued Interest Payable	57,139
Noncurrent Liabilities:	
Due Within One Year	2,781,570
Due in More than One Year	21,151,112
Total Liabilities	<u>24,435,022</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows from Pension	1,307,685
Total Deferred Inflows of Resources	<u>1,307,685</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	22,790,850
Restricted:	
Land Preservation	2,285,675
Debt Service	311,219
Roads and Bridges	341,626
Fire Protection Tax	3,588
Highway Aid	341,626
Library	1,088
Unrestricted	4,621,366
Total Net Position	<u><u>\$ 30,697,038</u></u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

		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	\$ 1,842,057	\$ -	\$ 55,174	\$ 1,766	\$ (1,785,117)
Public Safety	3,674,477	614,766	309,375	-	(2,750,336)
Public Works	1,351,426	-	374,505	-	(976,921)
Culture and Recreation	1,682,462	104,955	-	1,265,734	(311,773)
Preservation of Natural Resources	51,305	23,234	5,472	-	(22,599)
Interest on Long-Term Debt	650,561	-	-	-	(650,561)
Total Governmental Activities	<u>\$ 9,252,288</u>	<u>\$ 742,955</u>	<u>\$ 744,526</u>	<u>\$ 1,267,500</u>	(6,497,307)
General Revenues					
Taxes:					
Real Estate Taxes					5,534,160
Real Estate Transfer Taxes					619,855
Earned Income Taxes					3,083,466
Interest and Rents					46,885
Gain (Loss) on Sale of Asset					(10,446)
Total General Revenues					<u>9,273,920</u>
Change in Net Position					2,776,613
Net Position - Beginning of Year					<u>27,920,425</u>
Net Position - End of Year					<u>\$ 30,697,038</u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	Major Funds						Nonmajor	Total
	General	Land Preservation	Debt Service	Park and Recreation Capital	Capital Reserve	Fire Protection Tax	Governmental Funds	Governmental Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 2,354,550	\$ 222,395	\$ 292,894	\$ 59,116	\$ 1,465,888	\$ 129,141	\$ 1,212,612	\$ 5,736,596
Investments	-	2,066,397	-	-	-	-	-	2,066,397
Real Estate Taxes Receivable	41,402	-	70,624	-	-	-	2,232	114,258
Real Estate Transfer Taxes Receivable	45,062	-	-	-	-	-	-	45,062
Earned Income Taxes Receivable	1,159,885	-	-	-	-	-	-	1,159,885
Accounts Receivable	86,693	-	-	6,265	-	9,916	-	102,874
Prepaid Expenses	14,457	-	-	-	-	-	7,667	22,124
Total Assets	<u>\$ 3,702,049</u>	<u>\$ 2,288,792</u>	<u>\$ 363,518</u>	<u>\$ 65,381</u>	<u>\$ 1,465,888</u>	<u>\$ 139,057</u>	<u>\$ 1,222,511</u>	<u>\$ 9,247,196</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>								
Liabilities								
Accounts Payable	\$ 244,018	\$ 3,117	\$ -	\$ 9,442	\$ -	\$ 135,469	\$ 53,155	\$ 445,201
Deferred Inflow of Resources								
Unavailable Revenue - Income Taxes	616,001	-	-	-	-	-	-	616,001
Unavailable Revenue - Real Estate Taxes	32,134	-	52,299	-	-	-	1,644	86,077
Total Deferred Inflow of Resources	648,135	-	52,299	-	-	-	1,644	702,078
Fund Balances								
Nonspendable	14,457	-	-	-	-	-	7,667	22,124
Restricted	-	2,285,675	311,219	-	-	3,588	680,372	3,280,854
Committed	-	-	-	55,939	1,465,888	-	479,673	2,001,500
Unassigned, Reported in General Fund	2,795,439	-	-	-	-	-	-	2,795,439
Total Fund Balances	<u>2,809,896</u>	<u>2,285,675</u>	<u>311,219</u>	<u>55,939</u>	<u>1,465,888</u>	<u>3,588</u>	<u>1,167,712</u>	<u>8,099,917</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,702,049</u>	<u>\$ 2,288,792</u>	<u>\$ 363,518</u>	<u>\$ 65,381</u>	<u>\$ 1,465,888</u>	<u>\$ 139,057</u>	<u>\$ 1,222,511</u>	<u>\$ 9,247,196</u>

See accompanying Notes to Financial Statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

Total Governmental Fund Balances		\$ 8,099,917
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	\$ 53,171,271	
Accumulated Depreciation	<u>(6,745,568)</u>	46,425,703
Net Pension Asset is not Payable in the current Period and, therefore, is not Reported in the Funds:		
Pension Asset		156,932
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		76,340
Deferred Outflows from Pensions		533,574
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		
		(1,307,685)
Other Long-Term Assets (Receivables) are not Available to Pay for Current-Period Expenditures and, therefore, are Unavailable in the Funds		
		702,078
Certain Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds:		
Compensated Absences	(297,829)	
Accrued Interest Payable	(57,139)	
General Obligation Bonds and Notes Payable	<u>(23,634,853)</u>	<u>(23,989,821)</u>
Net Position of Governmental Activities		<u><u>\$ 30,697,038</u></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, 2017**

	Major Funds						Nonmajor	Total
	General	Land Preservation	Debt Service	Park and Recreation Capital	Capital Reserve	Fire Protection Tax	Governmental Funds	Governmental Funds
<b>REVENUES</b>								
Real Estate Taxes	\$ 2,009,187	\$ -	\$ 2,962,479	\$ -	\$ -	\$ 424,650	\$ 98,042	\$ 5,494,358
Real Estate Transfer Taxes	619,855	-	-	-	-	-	-	619,855
Earned Income Taxes	3,040,672	-	-	-	-	-	-	3,040,672
Licenses and Permits	242,989	-	-	-	-	-	-	242,989
Fines, Forfeits, and Costs	26,205	-	-	-	-	-	-	26,205
Interest and Rents	27,959	17,102	-	417	-	2	1,407	46,887
Intergovernmental	338,344	-	-	1,265,734	-	-	379,977	1,984,055
Charges for Services	335,435	-	-	-	-	-	68,455	403,890
Refunds and Miscellaneous	36,342	-	-	4,000	-	-	57,500	97,842
Total Revenues	6,676,988	17,102	2,962,479	1,270,151	-	424,652	605,381	11,956,753
<b>EXPENDITURES</b>								
Current:								
General Government	994,331	-	-	-	-	-	435,706	1,430,037
Public Safety	2,337,906	-	-	-	-	428,996	229,411	2,996,313
Public Works	468,889	-	-	-	-	-	530,162	999,051
Culture and Recreation	2,875	-	-	1,283,346	-	-	290,519	1,576,740
Preservation of Natural Resources	-	225,261	-	-	-	-	40,640	265,901
Capital Outlay	-	-	-	409,486	-	-	-	409,486
Miscellaneous:								
Employee Benefits	886,500	-	-	-	-	-	-	886,500
Pension	514,233	-	-	-	-	-	-	514,233
Insurance	85,070	-	-	-	-	-	-	85,070
Debt Service:								
Principal	-	-	2,499,000	-	-	-	-	2,499,000
Interest	-	-	613,615	-	-	-	-	613,615
Bond and Note Issuance Costs	-	-	85,146	-	-	-	-	85,146
Payment to Redeem Bonds	-	-	-	-	-	-	-	-
Total Expenditures	5,289,804	225,261	3,197,761	1,692,832	-	428,996	1,526,438	12,361,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,387,184	(208,159)	(235,282)	(422,681)	-	(4,344)	(921,057)	(404,339)
Other Financing Sources (Uses):								
Proceeds from Refunding Bonds	-	-	6,606,886	-	-	-	-	6,606,886
Proceeds from Note Issuance	-	-	-	-	-	-	500,000	500,000
Payment to Redeem Bonds	-	-	(6,524,599)	-	-	-	-	(6,524,599)
Transfers In	75,000	-	-	310,000	325,000	-	851,741	1,561,741
Transfers Out	(1,386,741)	(75,000)	-	-	(100,000)	-	-	(1,561,741)
Total Other Financing Sources (Uses)	(1,311,741)	(75,000)	82,287	310,000	225,000	-	1,351,741	582,287
Net Changes in Fund Balances	75,443	(283,159)	(152,995)	(112,681)	225,000	(4,344)	430,684	177,948
Fund Balances - Beginning of Year	2,734,453	2,568,834	464,214	168,620	1,240,888	7,932	737,028	7,921,969
Fund Balances - End of Year	\$ 2,809,896	\$ 2,285,675	\$ 311,219	\$ 55,939	\$ 1,465,888	\$ 3,588	\$ 1,167,712	\$ 8,099,917

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, 2017**

Net Change in Fund Balances - Governmental Funds	\$	177,948
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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	\$ 775,918		
Loss on Disposal of Capital Assets	(10,447)		
Depreciation Expense	<u>(722,853)</u>		42,618

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		82,596
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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	22,489		
Debt Service Principal Paid	2,499,000		
Payment to Redeem Bonds	6,524,599		
Proceeds from Refunding	(6,606,886)		
Proceeds from Note	<u>(500,000)</u>		1,939,202

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	451,271		
Change in Accrued Interest	48,201		
Change in Compensated Absences Balances:			
General Government	25,732		
Public Safety	(10,996)		
Public Works	<u>20,041</u>		<u>534,249</u>

Change in Net Position of Governmental Activities	\$	<u><u>2,776,613</u></u>
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**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**

	Police Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 298,517	\$ 1,332,118
Investments	<u>5,474,002</u>	<u>-</u>
Total Assets	<u>5,772,519</u>	<u><u>\$ 1,332,118</u></u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 83,275
Escrow Deposits Payable	-	1,164,661
Amounts Held for Sports Organizations	<u>-</u>	<u>84,182</u>
Total Liabilities	<u>-</u>	<u><u>\$ 1,332,118</u></u>
<b>NET POSITION</b>		
Net Position Held in Trust for Pension Benefits	<u><u>\$ 5,772,519</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, 2017**

	Police Pension Trust
Additions:	
Contributions:	
Commonwealth of Pennsylvania	\$ 123,710
Employer	338,149
Members	<u>71,909</u>
Total Contributions	533,768
Investment Earnings:	
Investment Gains	<u>627,569</u>
Net Investment Earnings	<u>627,569</u>
Total Additions	1,161,337
Deductions:	
Benefits	203,145
Administrative	<u>38,730</u>
Total Deductions	<u>241,875</u>
Change in Plan Net Position	919,462
Net Position Held in Trust for Pension Benefits:	
Beginning of Year	<u>4,853,057</u>
End of Year	<u><u>\$ 5,772,519</u></u>

See accompanying Notes to Financial Statements.



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017**

**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.
- **Parks and Recreation 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.
- **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.
- **Fire Protection Fund** – A special revenue established to account for revenues from a share of the Township's real estate taxes, which are used to fund local fire protection needs.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017**

**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, 2017**

**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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**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, 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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Fund Balance (Continued)**

The Township does not have any assigned balances as of December 31, 2017.

**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 \$2,288,792 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, 2017**

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

**Custodial Credit Risk – Deposits**

At December 31, 2017, the carrying value of the Township's deposits with banks was \$9,134,761 including certificates of deposit of \$2,066,397, in the various governmental and agency funds. The bank balances were \$9,238,986. 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, 2017, the Township's bank balances and certificates of deposit were exposed to custodial credit risk as follows:

	Bank Deposits
Insured Amount	\$ 250,000
Uninsured, with Collateral Held by Pledging Bank's Trust Department but not in the Township's Name in Accordance with Act 72	8,988,986
Uninsured and Uncollateralized	-
Total Bank Deposits	<u>\$ 9,238,986</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.

As of December 31, 2017, 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:



**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Investments (Continued)**

Investments held as of December 31, 2017 are as follows:

Investment and Cash Equivalent Type	Valuation Inputs Level	Fair Value
Land Preservation Fund:		
Negotiable Certificates of Deposit	N/A	\$ 2,066,397
Police Pension Trust Fund:		
Money Market Funds (1)	N/A	298,517
ETF'S - Equity Funds	Level 1	2,449,708
iShares - Equity Mutual Funds	Level 1	1,172,758
Certificates of Deposit	N/A	1,510,604
Government Bonds	Level 2	340,932
Total Police Pension Trust Fund		<u>5,772,519</u>
Combined Total		<u><u>\$ 7,838,916</u></u>

(1) Money Market 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 \$3,577,001.

**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		\$ -	\$ 130,936	\$ 209,996	\$ -	\$ -	\$ 340,932
		<u>\$ -</u>	<u>\$ 130,936</u>	<u>\$ 209,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,932</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Interest Rate Risk – Investments (Continued)**

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

	Maturity Year					Total
	2018	2019	2020	2021	2022-2031	
Negotiable Certificates of Deposits	<u>\$ 2,066,397</u>	<u>\$ 99,995</u>	<u>\$ 100,114</u>	<u>\$ 101,011</u>	<u>\$ 1,209,484</u>	<u>\$ 3,577,001</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, 2017, 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	\$ 2,066,397	100.00%

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	Balance 2016	Additions	Deletions/ Transfers	Balance 2017
Governmental Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,344,871	\$ -	\$ -	\$ 3,344,871
Land Easements	29,533,523	192,107	-	29,725,630
Total Capital Assets Not Being Depreciated	32,878,394	192,107	-	33,070,501
Capital Assets, Being Depreciated:				
Land Improvements	38,601	-	-	38,601
Park Improvements	3,699,491	-	-	3,699,491
Buildings and Improvements	9,084,085	-	-	9,084,085
Vehicles and Equipment	1,369,082	111,979	(34,817)	1,446,244
Furniture and Fixtures	302,624	62,346	-	364,970
Infrastructure	5,057,893	409,486	-	5,467,379
Total Capital Assets Being Depreciated	19,551,776	583,811	(34,817)	20,100,770
Less Accumulated Depreciation for:				
Land Improvements	18,783	2,087	-	20,870
Park Improvements	620,413	81,070	-	701,483
Buildings and Improvements	2,504,631	285,616	-	2,790,247
Vehicles and Equipment	750,791	127,500	24,370	853,921
Furniture and Fixtures	112,012	26,050	-	138,062
Infrastructure	2,040,455	200,530	-	2,240,985
Total Accumulated Depreciation	6,047,085	722,853	24,370	6,745,568
Total Capital Assets Being Depreciated, Net	13,504,691	(139,042)	(10,447)	13,355,202
Governmental Type Activities, Capital Assets, Net	<u>\$ 46,383,085</u>	<u>\$ 53,065</u>	<u>\$ (10,447)</u>	<u>\$ 46,425,703</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 252,694
Public Safety	100,896
Highway	7,807
Public Works	278,300
Parks and Recreation	83,156
Total Depreciation Expense, Governmental Activities	<u>\$ 722,853</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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	\$ 1,386,741
Land Preservation Fund	-	75,000
Park and Recreation Capital Fund	310,000	-
Capital Reserve Fund	325,000	100,000
Nonmajor Governmental Funds:		
Capital Project	50,000	-
Park and Recreation Fund	140,000	-
Ambulance Fund	100,000	-
Library	1,741	-
Roads and Bridges Fund	410,000	-
Capital Equipment Fund	150,000	-
Total	<u>\$ 1,561,741</u>	<u>\$ 1,561,741</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.

There were no interfund receivables or payables as of December 31, 2017.

**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, 2017	2017 Additions	2017 Reductions	Balance December 31, 2017	Due Within One Year
Governmental Activities:							
General Obligation:							
2011 Issue - 2.95% (Note)	2026	\$ 5,345,000	\$ 4,112,000	\$ -	\$ (359,000)	\$ 3,753,000	\$ 370,000
2012A Issue - 0.5% - 2.00% (Bond)	2025	845,000	360,000	-	(85,000)	275,000	85,000
2012B Issue - 0.5% - 2.00% (Bond)	2025	4,380,000	3,705,000	-	(165,000)	3,540,000	175,000
2014A Issue - 2.44% (Note)	2025	4,762,189	3,810,186	-	(3,810,186)	-	-
2014B Issue - 2.44% (Note)	2025	2,649,811	2,649,811	-	(2,649,811)	-	-
2015A Issue - 2.5% (Note)	2020	2,026,000	1,370,411	-	(330,000)	1,040,411	338,000
2015B Issue - 2.5% (Note)	2025	6,986,000	5,429,000	-	(860,000)	4,569,000	890,000
2015C Issue - 2.65% (Note)	2030	4,442,000	4,009,127	-	(235,000)	3,774,127	246,000
2017 Issue - 2.1 % (Note)	2025	1,060,000	-	500,000	-	500,000	1,000
2017A Issue - 0.87 - 2.00% (Note)	2025	6,125,000	-	6,125,000	(465,000)	5,660,000	385,000
Premium for Issuance- Unamortized			68,290	481,886	(26,862)	523,314	-
Total General Obligation							
Bonds and Notes			25,513,825	7,106,886	(8,985,859)	23,634,852	2,490,000
Compensated Absences			332,606	27,258	(62,034)	297,830	291,570
Total			<u>\$ 25,846,431</u>	<u>\$ 7,134,144</u>	<u>\$ (9,047,893)</u>	<u>\$ 23,932,682</u>	<u>\$ 2,781,570</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

During 2017, the Township issued \$6,125,000 of non-electoral General Obligation Note, Series 2017 A, for the purpose of refunding the Township's General Obligation Bonds, Series 2014A and B, and to pay the costs of issuing the note. The 2017 A Note was issued at a lower fixed interest rate, continuing the Township's efforts to reduce interest payments. The Bonds have varying maturities from December 1, 2017 to June 2025 with interest being paid semiannually, June 1 and December 1. The interest rates of the Bonds range between 2% and 5%. The Township had \$64,604 of deferred charges on refundings as of December 31, 2017. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$214,800. The Township also issued a \$1,060,000 non-electoral General Obligation Note, Series 2017 for the purpose of providing funds to finance various capital projects. The Township drew down \$500,000 on the Series 2017 Note during the year ended December 31, 2017, and plans to withdraw the remaining balance during the first quarter 2018. The Series 2017 Note has a fixed interest rate of 2.1% through 2025.

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 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, 2017**

**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, 2017**

**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, 2017, 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, 2017**

**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	\$ (113,860)	\$ -

(1) Based on Fair Value Estimates as of December 31, 2017

**Debt Service Requirements**

At December 31, 2017, 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 \$7,155,000 the Township's remaining borrowing capacity as of December 31, 2017, was approximately \$18,695,000 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, 2017 totaled \$16,516,358.

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>	
2018	\$ 2,490,000	\$ 632,802	\$ 3,122,802
2019	2,560,000	564,492	3,124,492
2020	2,637,411	488,101	3,125,512
2021	2,721,000	402,936	3,123,936
2022	2,817,000	304,891	3,121,891
2023-2027	9,451,000	553,641	10,004,641
2028-2031	995,127	40,010	1,035,137
Total	<u>\$ 23,671,538</u>	<u>\$ 2,986,873</u>	<u>\$ 26,658,411</u>

\*The Principal amounts include the full amount of the 2017 Note, including the portion drawn down in March 2018.



**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, 2017, the Township's liability for compensated absences was \$297,830. 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, 2017, the Township recognized aggregate pension expense of (\$83,751) and net pension asset of \$156,932. The Police Pension Plan net pension liability was measured as of December 31, 2017. The Non-Uniform Pennsylvania Municipal Retirement System (PMRS) Plans' (defined benefit and cash balance) net pension liability was measured as of December 31, 2016.

At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to its pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 1,067,990
Changes in Assumptions	387,593	-
Net Difference Between Projected and Actual Investment Earnings	79,399	239,695
Contributions Subsequent to the Measurement Date	66,582	-
	<u>\$ 533,574</u>	<u>\$ 1,307,685</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)**

The deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$66,582 that will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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>
2018	\$ (153,065)
2019	(105,241)
2020	(172,238)
2021	(182,505)
2021-2024	(227,644)
Total	<u>\$ (840,693)</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.

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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Plan Description (Continued)**

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

	<u>Police</u>
Covered Employees	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	\$1,438,190
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.

**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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Contributions and Funding Policy (Continued)**

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, 2017:

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

**Concentrations**

At December 31, 2017, 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	\$ 1,510,604	26.17%
iShares Russell 1000 Values	Equity Mutual Funds	445,386	7.72%
iShares Russell 1000 Growth	Equity Mutual Funds	481,077	8.33%
iShares Russell 400 Value	Equity Mutual Funds	311,997	5.40%
iShares Russell 400 Growth	Equity Mutual Funds	316,699	5.49%
Powershares Series 1	Equity Mutual Funds	296,723	5.14%

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Net Pension Liability**

The net pension liability of the plan as of the measurement date of December 31, 2017, was as follows:

Total Pension Liability	\$    5,800,061
Plan Fiduciary Net Position	5,772,520
Net Pension Liability	<u>\$       27,541</u>

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

	<u>Police</u>
Valuation Date	1-Jan-17
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 2017

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 that is included in the pension plan's target asset allocation of December 31, 2017 are as follows:

<u>Asset Class</u>	<u>Percent of Fund at December 31, 2017</u>	<u>Estimated Long-Term Rates of Return</u>
Cash and Cash Alternatives	6%	.05 - 2.5%
Equities	59%	.18 - 9.0%
Commodities and REITs	3%	.18 - 7.2%
Fixed Income Securities	32%	1.33 - 3.1%
Total Weighted Expected Return		4.33%

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00% which includes an adjusted rate of inflation. 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:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net Pension Liability	\$    845,869	\$     27,541	\$   (654,954)

**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 2017 was 11.8%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Plan Description (Continued)**

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.

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	9	5
Number of Persons Receiving Benefits		
Retired Employees and Beneficiaries	5	0
Terminated Employees Vested but not Receiving Benefits	2	0
Current Annual Covered Payroll	\$717,379	\$307,094
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 net pension asset of the PMRS Non-Uniform Defined Benefit plan as of the measurement date of December 31, 2016, was as follows:

Total Pension Liability	\$ 3,551,309
Plan Fiduciary Net Position	3,739,982
Net Pension Liability (Asset)	<u>\$ (188,673)</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Plan Description (Continued)**

The net pension liability of the PMRS Non-Uniform Cash Balance plan as of the measurement date of December 31, 2016, was as follows:

Total Pension Liability	\$ 87,126
Plan Fiduciary Net Position	82,926
Net Pension Liability	<u>\$ 4,200</u>

**Net Pension Liability (Asset)**

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

	<u>PMRS Plans</u>
Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market Value
Actuarial Assumptions	
Investment Rate of Return	5.25%
Projected Salary Increases	3.0%
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 (asset) was 5.25%. 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 (asset).



**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

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

The following presents the net pension liability (asset) calculated using the discount rate of 5.25%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%), or 1-percentage-point higher (6.25%) than the current rate:

	PMERS Non-Uniform Defined Benefit Pension Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.25%)	Rate (5.25%)	(6.25%)
Net Pension (Asset) Liability	\$ 154,734	\$ (188,673)	\$ (487,948)

	PMERS Non-Uniform Cash Balance Plan		
	1%	Current	1%
	Decrease	Discount	Increase
	(4.25%)	Rate (5.25%)	(6.25%)
Net Pension (Asset) Liability	\$ 21,626	\$ 4,200	\$ (13,225)

**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, 2017**

**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, 2017 and settlements have not exceeded coverage in the past three years.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 12 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

Except for the Park and Recreation Capital Fund and the Debt Service Fund, none of the Township's Fund expenditures were over-budget for the year ended December 31, 2017.

The Park and Recreation Capital Fund contained the revenues and expenses for the Route 202 Greenway Trail Project, which completed a ¼ mile trail at Route 32. The majority of this project was funded by grants from the Pennsylvania Department of Transportation's (PENNDOT) Transportation Alternatives Program (TAP) Grant, the Department of Community and Economic Development (DCED) and the Department of Conservation and Natural Resources (DCNR), as well as Solebury Township. During the course of the project, expenses exceeded budget due to significant engineering fees. However, the fund still ended in a positive fund balance. The Township utilized overages in the General Fund as transfers to the Park and Recreation Capital Fund to offset these increases in the budgeted amount.

The Debt Service Fund expenditures exceeded budget because of the debt refunding transaction costs which were funded from the refunding bond proceeds and existing fund balance. However, the fund still ended in a positive fund balance.

**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. 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

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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 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.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Township is required to adopt Statement No. 86 for its calendar 2018 financial statements.

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Township is required to adopt Statement No. 87 for its calendar 2020 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, 2017**

	Measurement Year Ending 12/31/17	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability				
Service Cost	\$ 293,357	\$ 295,026	\$ 294,257	\$ 282,939
Interest	317,450	345,166	323,953	301,611
Benefit Payments	(203,145)	(271,707)	(216,989)	(207,361)
Changes of Benefit Terms	(160,595)	-	-	-
Difference Between Actual and Expected Experience, if Any	(122,553)	(598,822)	(474,839)	-
Assumption Changes	17,268	-	454,526	-
Net Change in Total Pension Liability	141,782	(230,337)	380,908	377,189
Total Pension Liability - Beginning	5,658,279	5,888,616	5,507,708	5,130,519
Total Pension Liability - Ending (a)	<u>\$ 5,800,061</u>	<u>\$ 5,658,279</u>	<u>\$ 5,888,616</u>	<u>\$ 5,507,708</u>
Plan Fiduciary Net Position				
Contribution - Employer and State Aid	\$ 461,859	\$ 382,265	\$ 369,529	\$ 281,351
Contribution - Member	71,909	67,592	64,902	63,060
Net Investment Income	627,570	366,526	19,684	198,682
Benefit Payments	(203,145)	(271,707)	(216,989)	(207,361)
Administrative Expense	(38,730)	(30,886)	(39,629)	(27,088)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	919,463	513,790	197,497	308,644
Plan Fiduciary Net Position - Beginning	4,853,057	4,339,267	4,141,770	3,833,126
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,772,520</u>	<u>\$ 4,853,057</u>	<u>\$ 4,339,267</u>	<u>\$ 4,141,770</u>
Net Pension Liability (a-b)	<u>\$ 27,541</u>	<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	99.53%	85.77%	73.69%	75.20%
Covered Payroll	\$ 1,438,190	\$ 1,351,832	\$ 1,292,897	\$ 1,247,495
Net Pension Liability as a Percentage of Covered Payroll	1.91%	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, 2017**

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%
2017	385,120	461,859	(76,739)	1,438,190	32.11%

Schedule of Investment Returns\*

Actual Money Weighted Rate of Return, Net of Investment Expense	2017	2016	2015	2014
	11.80%	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:

	<u>Police</u>
Valuation Date	1-Jan-17
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 2017

\*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, 2017**

	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability			
Service Cost	\$ 111,765	\$ 111,033	\$ 119,638
Interest	192,424	182,888	186,433
Benefit Payments	(84,335)	(214,883)	(91,581)
Difference Between Actual and Expected, if Any	(175,672)	(18,223)	(191,304)
Assumption Changes	78,677	29,214	-
Net Change in Total Pension Liability	122,859	90,029	23,186
Total Pension Liability - Beginning	3,428,450	3,338,421	3,315,235
Total Pension Liability - Ending (a)	<u>\$ 3,551,309</u>	<u>\$ 3,428,450</u>	<u>\$ 3,338,421</u>
Plan Fiduciary Net Position			
Contribution - Employer	\$ 72,235	\$ 73,287	\$ 77,552
Contribution - Member	21,521	22,190	22,785
Net Investment Income	355,609	(69,789)	105,365
Benefit Payments	(84,335)	(214,883)	(91,581)
Administrative Expense	(10,094)	(9,050)	(7,812)
Net Change in Plan Fiduciary Net Position	354,936	(198,245)	106,309
Plan Fiduciary Net Position - Beginning	3,385,046	3,583,291	3,476,982
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,739,982</u>	<u>\$ 3,385,046</u>	<u>\$ 3,583,291</u>
Net Pension Asset (Liability) (a-b)	<u>\$ (188,673)</u>	<u>\$ 43,404</u>	<u>\$ (244,870)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.31%	98.73%	107.33%
Covered Payroll	\$ 717,379	\$ 733,513	\$ 779,883
Net Pension Asset as a Percentage of Covered Payroll	-26.30%	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, 2017**

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%
2016	72,235	72,235	-	717,379	10.07%

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, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	3 Years
Asset Valuation Method	Adjusted Market Value
Actuarial Assumptions	
Investment Rate of Return	5.25%
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, 2017**

	Measurement Year Ending 12/31/16	Measurement Year Ending 12/31/15	Measurement Year Ending 12/31/14
Total Pension Liability			
Service Cost	\$ 26,191	\$ 19,140	\$ 16,035
Interest	3,695	2,333	1,338
Difference Between Actual and Expected, if Any	<u>1</u>	<u>1</u>	<u>-</u>
Net Change in Total Pension Liability	29,887	21,474	17,373
Total Pension Liability - Beginning	<u>57,241</u>	<u>35,767</u>	<u>18,394</u>
Total Pension Liability - Ending (a)	<u><u>\$ 87,128</u></u>	<u><u>\$ 57,241</u></u>	<u><u>\$ 35,767</u></u>
Plan Fiduciary Net Position			
Contribution - Employer	\$ 13,175	\$ 9,572	\$ 7,620
Contribution - Member	13,095	9,570	8,094
Net Investment Income	3,770	(1,067)	1,425
Benefit Payments	-	-	(269)
Administrative Expense	<u>(267)</u>	<u>(202)</u>	<u>(115)</u>
Net Change in Plan Fiduciary Net Position	29,773	17,873	16,755
Plan Fiduciary Net Position - Beginning	<u>53,153</u>	<u>35,280</u>	<u>18,525</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 82,926</u></u>	<u><u>\$ 53,153</u></u>	<u><u>\$ 35,280</u></u>
Net Pension Liability (a-b)	<u><u>\$ 4,202</u></u>	<u><u>\$ 4,088</u></u>	<u><u>\$ 487</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.18%	92.86%	98.64%
Covered Payroll	\$ 307,094	\$ 227,816	\$ 175,530
Net Pension Liability as a Percentage of Covered Payroll	1.37%	1.79%	0.28%

\*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 – SCHEDULES OF EMPLOYER  
CONTRIBUTIONS AND EMPLOYER'S NET PENSION LIABILITY  
DECEMBER 31, 2017**

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%
2016	13,176	13,175	1	307,094	4.29%

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, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	3 Years
Asset Valuation Method	Adjusted Market Value
Actuarial Assumptions	
Investment Rate of Return	5.25%
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, 2017**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Real Estate Taxes	\$ 2,044,732	\$ 2,044,732	\$ 2,009,187	\$ (35,545)
Real Estate Transfer Taxes	525,000	525,000	619,855	94,855
Earned Income Taxes	2,850,000	2,900,000	3,040,672	140,672
Licenses and Permits	231,500	231,500	242,989	11,489
Fines, Forfeits, and Costs	35,100	35,100	26,205	(8,895)
Interest and Rents	34,154	34,154	27,959	(6,195)
Intergovernmental	311,000	311,000	338,344	27,344
Charges for Services	238,200	273,200	335,435	62,235
Refunds and Miscellaneous	2,500	35,168	36,342	1,174
Total Revenues	6,272,186	6,389,854	6,676,988	287,134
<b>EXPENDITURES</b>				
General Government:				
Legislative	11,300	11,300	9,171	2,129
Tax Collection	24,026	24,026	23,345	681
Legal	100,000	100,000	105,119	(5,119)
General Government Administration	694,050	699,650	705,180	(5,530)
General Government Buildings	176,320	177,170	151,516	25,654
Total General Government	1,005,696	1,012,146	994,331	17,815
Public Safety:				
Police	1,801,400	1,831,400	1,881,347	(49,947)
Fire	128,000	128,000	121,257	6,743
Zoning and Planning	357,500	391,500	335,302	56,198
Total Public Safety	2,286,900	2,350,900	2,337,906	12,994
Public Works	555,700	562,700	468,889	93,811
Culture and Recreation	2,875	2,875	2,875	-
Miscellaneous:				
Employee Benefits	931,160	931,660	886,500	45,160
Pension	521,772	521,772	514,233	7,539
Insurance	112,500	112,499	85,070	27,429
Total Miscellaneous	1,565,432	1,565,931	1,485,803	80,128
Total Expenditures	5,416,603	5,494,552	5,289,804	204,748
Excess of Revenues Over Expenditures	855,583	895,302	1,387,184	491,882
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	75,000	-
Transfers Out	(840,000)	(875,000)	(1,386,741)	(511,741)
Total Other Financing Uses	(765,000)	(800,000)	(1,311,741)	(511,741)
Net Change in Fund Balances	<u>\$ 90,583</u>	<u>\$ 95,302</u>	75,443	<u>\$ (19,859)</u>
Fund Balance - Beginning of Year			2,734,453	
Fund Balance - End of Year			<u>\$ 2,809,896</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISONS**  
**DECEMBER 31, 2017**

**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 30 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, 2017**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Real Estate Taxes	\$ 3,077,493	\$ 3,077,493	\$ 2,962,479	\$ (115,014)
Interest and Rents, Net	1,400	1,400	-	(1,400)
Total Revenues	3,078,893	3,078,893	2,962,479	(116,414)
<b>EXPENDITURES</b>				
Debt Service:				
Principal	2,559,000	2,559,000	2,499,000	60,000
Interest	561,332	561,332	613,615	(52,283)
Note Issuance Costs	3,000	13,125	85,146	(72,021)
Total Expenditures	3,123,332	3,133,457	3,197,761	(64,304)
Excess of Revenues Over (Under) Expenditures	(44,439)	(54,564)	(235,282)	(180,718)
Other Financing Sources				
Proceeds from Note Issuance	-	-	6,606,886	6,606,886
Payment to Redeem Bonds	-	-	(6,524,599)	(6,524,599)
Total Other Financing Sources	-	-	82,287	82,287
Net Change in Fund Balances	<u>\$ (44,439)</u>	<u>\$ (54,564)</u>	(152,995)	<u>\$ (98,431)</u>
Fund Balance - Beginning of Year			464,214	
Fund Balance - End of Year			<u>\$ 311,219</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, 2017**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Interest	\$ 12,100	\$ 12,100	\$ 17,102	\$ 5,002
Total Revenues	12,100	12,100	17,102	5,002
<b>EXPENDITURES</b>				
Preservation of Natural Resources:				
Land Preservation	436,300	436,300	225,261	211,039
Total Expenditures	436,300	436,300	225,261	211,039
Excess of Revenues Over (Under)				
Expenditures	(424,200)	(424,200)	(208,159)	216,041
Other Financing Uses				
Transfers Out	(75,000)	(75,000)	(75,000)	-
Total Other Financing Uses	(75,000)	(75,000)	(75,000)	-
Net Change in Fund Balances	<u>\$ (499,200)</u>	<u>\$ (499,200)</u>	(283,159)	<u>\$ 216,041</u>
Fund Balance - Beginning of Year			2,568,834	
Fund Balance - End of Year			<u>\$ 2,285,675</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**WITH LEGALLY ADOPTED BUDGET – PARKS AND RECREATION CAPITAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 1,435,000	\$ 1,435,000	\$ 1,265,734	\$ (169,266)
Refunds and Miscellaneous	9,000	9,000	4,000	(5,000)
Interest and Rents, Net	100	100	417	317
Total Revenues	<u>1,444,100</u>	<u>1,444,100</u>	<u>1,270,151</u>	<u>(173,949)</u>
<b>EXPENDITURES</b>				
Culture and Recreation	<u>1,548,000</u>	<u>1,558,000</u>	<u>1,692,832</u>	<u>(134,832)</u>
Total Expenditures	<u>1,548,000</u>	<u>1,558,000</u>	<u>1,692,832</u>	<u>(134,832)</u>
Excess of Revenues Over (Under)				
Expenditures	(103,900)	(113,900)	(422,681)	(308,781)
Other Financing Sources				
Transfers In	<u>65,000</u>	<u>75,000</u>	<u>310,000</u>	<u>235,000</u>
Total Other Financing Sources	<u>65,000</u>	<u>75,000</u>	<u>310,000</u>	<u>235,000</u>
Net Change in Fund Balances	<u>\$ (38,900)</u>	<u>\$ (38,900)</u>	(112,681)	<u>\$ (73,781)</u>
Fund Balance - Beginning of Year			<u>168,620</u>	
Fund Balance - End of Year			<u>\$ 55,939</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, 2017**

	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	100,000	325,000	225,000
Transfers Out	-	-	(100,000)	(100,000)
Total Other Financing Sources	100,000	100,000	225,000	125,000
Net Change in Fund Balances	<u>\$ 100,000</u>	<u>\$ 100,000</u>	225,000	<u>\$ 125,000</u>
Fund Balance - Beginning of Year			<u>1,240,888</u>	
Fund Balance - End of Year			<u>\$ 1,465,888</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MAJOR SPECIAL REVENUE FUND**  
**WITH LEGALLY ADOPTED BUDGET – FIRE PROTECTION TAX FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	Budget			Variance With
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Real Estate Taxes	\$ 438,929	\$ 438,929	\$ 424,650	\$ (14,279)
Interest and Rents	-	-	2	2
Total Revenues	438,929	438,929	424,652	(14,277)
<b>EXPENDITURES</b>				
Public Safety	438,930	438,930	428,996	9,934
Total Expenditures	438,930	438,930	428,996	9,934
Excess of Revenues Over (Under)				
Expenditures	(1)	(1)	(4,344)	(4,343)
Other Financing Sources				
Proceeds of Refunding Bonds	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	<u>\$ (1)</u>	<u>\$ (1)</u>	(4,344)	<u>\$ (4,343)</u>
Fund Balance - Beginning of Year			7,932	
Fund Balance - End of Year			<u>\$ 3,588</u>	

**SOLEBURY TOWNSHIP, PENNSYLVANIA  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

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.

- 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.
- Park and Recreation Fund – Accounts for operations of the Township's recreational programs and events, which are funded in part by user fees and supplemented by an annual Interfund transfer from the General Fund.
- 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.
- 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.
- Road and Bridges Fund 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.

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Special Revenue					Capital Projects		Total Nonmajor Governmental Funds
	Natural Resources	Park and Recreation	Highway Aid	Ambulance	Library	Roads and Bridges	Capital Equipment Reserve	Capital Projects
<b>ASSETS</b>								
Cash	\$ 195,764	\$ 141,927	\$ 348,480	\$ -	\$ 3,710	\$ 337,658	\$ 124,180	\$ 60,893
Taxes Receivable	-	-	-	-	2,232	-	-	-
Prepaid Expenses	-	-	-	-	-	-	7,667	-
Total Assets	<u>\$ 195,764</u>	<u>\$ 141,927</u>	<u>\$ 348,480</u>	<u>\$ -</u>	<u>\$ 5,942</u>	<u>\$ 337,658</u>	<u>\$ 131,847</u>	<u>\$ 60,893</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ 29	\$ 9,980	\$ 6,854	\$ -	\$ 3,210	\$ -	\$ 5,000	\$ 28,082
Total Liabilities	<u>29</u>	<u>9,980</u>	<u>6,854</u>	<u>-</u>	<u>3,210</u>	<u>-</u>	<u>5,000</u>	<u>28,082</u>
Deferred Inflow of Resources								
Unavailable Revenue - Property Taxes	-	-	-	-	1,644	-	-	-
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Nonspendable	-	-	-	-	-	-	7,667	-
Restricted	-	-	341,626	-	1,088	337,658	-	-
Committed	195,735	131,947	-	-	-	-	119,180	32,811
Total Fund Balances	<u>195,735</u>	<u>131,947</u>	<u>341,626</u>	<u>-</u>	<u>1,088</u>	<u>337,658</u>	<u>126,847</u>	<u>32,811</u>
Total Liabilities and Fund Balances	<u>\$ 195,764</u>	<u>\$ 141,927</u>	<u>\$ 348,480</u>	<u>\$ -</u>	<u>\$ 5,942</u>	<u>\$ 337,658</u>	<u>\$ 131,847</u>	<u>\$ 60,893</u>

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Special Revenue					Capital Projects			Total
	Natural Resources	Park and Recreation	Highway Aid	Ambulance	Library	Roads and Bridges	Capital Equipment Reserve	Capital Projects	Nonmajor Governmental Funds
<b>REVENUES</b>									
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ 98,042	\$ -	\$ -	\$ -	\$ 98,042
Interest and Rents	20	-	1,286	-	-	101	-	-	1,407
Intergovernmental	5,472	-	374,505	-	-	-	-	-	379,977
Charges for Services	9,000	59,455	-	-	-	-	-	-	68,455
Miscellaneous	14,234	1,500	-	-	-	-	1,766	40,000	57,500
Total Revenues	28,726	60,955	375,791	-	98,042	101	1,766	40,000	605,381
<b>EXPENDITURES</b>									
General Government	-	-	-	-	-	-	36,642	399,064	435,706
Public Safety	-	-	-	100,000	-	-	129,411	-	229,411
Public Works	-	-	273,617	-	-	223,182	33,363	-	530,162
Culture and Recreation	-	190,519	-	-	100,000	-	-	-	290,519
Preservation of Natural Resources	40,640	-	-	-	-	-	-	-	40,640
Total Expenditures	40,640	190,519	273,617	100,000	100,000	223,182	199,416	399,064	1,526,438
Excess of Revenues Over (Under) Expenditures	(11,914)	(129,564)	102,174	(100,000)	(1,958)	(223,081)	(197,650)	(359,064)	(921,057)
<b>Other Financing Sources</b>									
Proceeds from Issuance of Note	-	-	-	-	-	-	-	500,000	500,000
Transfers In	-	140,000	-	100,000	1,741	410,000	150,000	50,000	851,741
Transfers out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	-	140,000	-	100,000	1,741	410,000	150,000	550,000	1,351,741
Net Changes in Fund Balances	(11,914)	10,436	102,174	-	(217)	186,919	(47,650)	190,936	430,684
Fund Balances - Beginning of Year	207,649	121,511	239,452	-	1,305	150,739	174,497	(158,125)	737,028
Fund Balances - End of Year	\$ 195,735	\$ 131,947	\$ 341,626	\$ -	\$ 1,088	\$ 337,658	\$ 126,847	\$ 32,811	\$ 1,167,712

**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, 2017**

	Natural Resources			Park and Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	500	20	(480)	-	-	-
Intergovernmental	-	5,472	5,472	-	-	-
Charges for Services	9,000	9,000	-	54,400	59,455	5,055
Miscellaneous	-	14,234	14,234	1,500	1,500	-
Total Revenues	9,500	28,726	19,226	55,900	60,955	5,055
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	193,825	190,519	3,306
Preservation of Natural Resources	65,000	40,640	24,360	-	-	-
Total Expenditures	65,000	40,640	24,360	193,825	190,519	3,306
Excess of Revenues Over (Under)						
Expenditures	(55,500)	(11,914)	43,586	(137,925)	(129,564)	8,361
Other Financing Sources						
Transfers In	-	-	-	140,000	140,000	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	140,000	140,000	-
Net Change in Fund Balances	<u>\$ (55,500)</u>	<u>(11,914)</u>	<u>\$ 43,586</u>	<u>\$ 2,075</u>	<u>10,436</u>	<u>\$ 8,361</u>
Fund Balances - Beginning of Year		<u>207,649</u>			<u>121,511</u>	
Fund Balances - End of Year		<u>\$ 195,735</u>			<u>\$ 131,947</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, 2017**

	Highway Aid			Roads and Bridges		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	750	1,286	536	350	101	(249)
Intergovernmental	366,750	374,505	7,755	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	500	-	(500)
Total Revenues	<u>367,500</u>	<u>375,791</u>	<u>8,291</u>	<u>850</u>	<u>101</u>	<u>(749)</u>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	273,100	273,617	(517)	324,000	223,182	100,818
Culture and Recreation	-	-	-	-	-	-
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	<u>273,100</u>	<u>273,617</u>	<u>(517)</u>	<u>324,000</u>	<u>223,182</u>	<u>100,818</u>
Excess of Revenues Over (Under)						
Expenditures	94,400	102,174	7,774	(323,150)	(223,081)	100,069
Other Financing Sources						
Transfers In	-	-	-	310,000	410,000	100,000
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,000</u>	<u>410,000</u>	<u>100,000</u>
Net Change in Fund Balances	<u>\$ 94,400</u>	<u>102,174</u>	<u>\$ 7,774</u>	<u>\$ (13,150)</u>	<u>186,919</u>	<u>\$ 200,069</u>
Fund Balances - Beginning of Year		<u>239,452</u>			<u>150,739</u>	
Fund Balances - End of Year		<u>\$ 341,626</u>			<u>\$ 337,658</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, 2017**

	Capital Equipment Fund			Capital Projects		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	8,000	1,766	(6,234)	40,000	40,000	-
Total Revenues	8,000	1,766	(6,234)	40,000	40,000	-
<b>EXPENDITURES</b>						
General Government	139,500	36,642	102,858	556,000	399,064	156,936
Public Safety	136,500	129,411	7,089	-	-	-
Public Works	35,000	33,363	1,637	-	-	-
Culture and Recreation	-	-	-	-	-	-
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	311,000	199,416	111,584	556,000	399,064	156,936
Excess of Revenues Over (Under)						
Expenditures	(303,000)	(197,650)	105,350	(516,000)	(359,064)	156,936
Other Financing Sources						
Proceeds from Issuance of Note	-	-	-	1,000,000	500,000	(500,000)
Transfers In	250,000	150,000	(100,000)	100,000	50,000	(50,000)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	250,000	150,000	(100,000)	100,000	550,000	(50,000)
Net Change in Fund Balances	<u>\$ (53,000)</u>	<u>(47,650)</u>	<u>\$ 5,350</u>	<u>\$ (416,000)</u>	<u>190,936</u>	<u>\$ 106,936</u>
Fund Balances (Deficit) - Beginning of Year		<u>174,497</u>			<u>(158,125)</u>	
Fund Balances - End of Year		<u>\$ 126,847</u>			<u>\$ 32,811</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, 2017**

	Library Fund			Ambulance Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
Real Estate Taxes	\$ 100,000	\$ 98,042	\$ (1,958)	\$ -	\$ -	\$ -
Interest and Rents	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	100,000	98,042	(1,958)	-	-	-
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	100,000	100,000	-
Public Works	-	-	-	-	-	-
Culture and Recreation	100,000	100,000	-	-	-	-
Preservation of Natural Resources	-	-	-	-	-	-
Total Expenditures	100,000	100,000	-	100,000	100,000	-
Excess of Revenues Over (Under)						
Expenditures	-	(1,958)	(1,958)	(100,000)	(100,000)	-
Other Financing Uses						
Transfers In	-	1,741	1,741	100,000	100,000	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Uses	-	1,741	1,741	100,000	100,000	-
Net Change in Fund Balances	\$ -	(217)	\$ (217)	\$ -	-	\$ -
Fund Balances - Beginning of Year		1,305			-	
Fund Balances - End of Year		\$ 1,088			\$ -	

**SOLEBURY TOWNSHIP, PENNSYLVANIA**  
**FIDUCIARY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES – AGENCY FUNDS**  
**DECEMBER 31, 2017**

	Sports Organizations Agency Fund	Escrow Agency Fund	Total Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 85,147	\$ 1,246,971	\$ 1,332,118
Bank Certificates of Deposit	-	-	-
Amount Due from Other Funds	-	-	-
Total Assets	<u>\$ 85,147</u>	<u>\$ 1,246,971</u>	<u>\$ 1,332,118</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 965	\$ 82,310	\$ 83,275
Deposits Payable	-	1,164,661	1,164,661
Amounts Held for Other Organizations	84,182	-	84,182
Total Liabilities	<u>\$ 85,147</u>	<u>\$ 1,246,971</u>	<u>\$ 1,332,118</u>



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