

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

**Financial Report**

**December 31, 2016**

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

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**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PENNSYLVANIA**

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## **Independent Auditor's Report**

To the Board of Supervisors  
Plumstead Township  
Plumsteadville, Pennsylvania

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

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

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

The Township's 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.

### **Auditor's 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 auditor's 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.



## **Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plumstead Township, Bucks County, Pennsylvania as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof, 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 and other required information on pages 3-14 and 64-70 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 evidence sufficient to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements and combining pension trust fund financial statements 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 and combining pension trust fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dunlap & Associates, P.C.*

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.  
April 10, 2017

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

Our discussion and analysis of Plumstead Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2016. Please read it in conjunction with the Township's financial statement, which begins on page 15.

**FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$3,719,300 or 12%, as a result of this year's operations.
- The total cost of all Township programs for the year ended December 31, 2016, was \$8,956,189 compared to \$9,276,506 for 2015. This was due in large part to with some parks and recreation purchases being delayed and a reduction in interest expense due to a refinancing of existing debt.
- During the year, the Township borrowed \$2.5 million to be used towards the capital repairs and replacement of three Township bridges.
- The Township was awarded a \$150,000 grant from the Commonwealth of Pennsylvania, Department of Conservation and Natural Resources for a park improvement project.

**USING THIS REPORT**

This report consists of a series of financial statements. The statement of Net Position and the Statement of Activities (on pages 15-17) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how the Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

**Reporting on the Township as a Whole**

The statement of Net Position and Statement of Activities reports information about the Township as a whole, and about its activities in a way that helps answer the question of whether or not the Township is better or worse off, as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These statements report the Township's net position and changes in them. The Township's net position (the difference between the assets and liabilities) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the Township's financial health is improving or deteriorating.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**USING THIS REPORT (Continued)**

**Reporting Significant Funds**

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Supervisors established other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at yearend that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation at the end of fund financial statements.

**The Township as a Trustee**

The Township is the trustee or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Township fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE TOWNSHIP AS A WHOLE**

The Statement of Net Position provides an overview of the Township's assets, liabilities, and net position. Over time, this statement will provide a good indicator of the Township's fiscal health. Two years of data are presented in the following tables. During 2016, we continued to update the valuation calculations for capital assets such as land, buildings, vehicles, equipment, furniture, traffic signals, storm sewers, and drainage structures.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Table 1**

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital Assets	39,766,257	36,989,770	7,148,349	7,215,051	46,914,606	44,204,821
Current and Other Assets	9,204,256	6,612,094	1,413,130	1,499,026	10,617,386	8,111,120
<b>Total Assets</b>	<b>48,970,513</b>	<b>43,601,864</b>	<b>8,561,479</b>	<b>8,714,077</b>	<b>57,531,992</b>	<b>52,315,941</b>
Net Deferred Outflows/Inflows	571,002	476,762			571,002	476,762
Long-Term Liabilities	19,768,337	17,723,428	1,879,417	2,410,000	21,647,754	20,133,428
Other Liabilities	1,340,831	1,557,371	481,956	188,751	1,822,787	1,746,122
<b>Total Liabilities</b>	<b>21,109,168</b>	<b>19,280,799</b>	<b>2,361,373</b>	<b>2,598,751</b>	<b>23,470,541</b>	<b>21,879,550</b>
Net Assets						
Invested in Capital Assets, net of debt	18,862,410	17,498,758	5,007,314	4,700,051	23,869,724	22,198,809
Restricted	7,064,889	4,416,479			7,064,889	4,416,479
Unrestricted	2,505,048	2,882,590	1,192,792	1,415,275	3,697,840	4,297,865
<b>Total Net Assets</b>	<b>28,432,347</b>	<b>24,797,827</b>	<b>6,200,106</b>	<b>6,115,326</b>	<b>34,632,453</b>	<b>30,913,153</b>

The total net position of the Township shown above is \$34,632,453. Net position increased by 12% in 2016.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Table 2**

**Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Program Revenues</b>						
Charges for Services	\$ 665,016	\$ 702,632	\$ 1,186,451	\$ 1,189,569	\$ 1,851,467	\$ 1,892,201
Operating Grants/Contributions	821,842	623,639	-	-	821,842	623,639
Capital Grants and Contributions	2,835,189		-	-	2,835,189	-
<b>General Revenues</b>						
Real Estate Taxes	3,245,782	3,214,203	-	-	3,245,782	3,214,203
Transfer Taxes	552,669	680,271	-	-	552,669	680,271
Earned Income Taxes	3,048,599	2,856,824	-	-	3,048,599	2,856,824
Grants and Contributions not Restricted to Specific Programs	204,282	362,095	-	-	204,282	362,095
Investment Earnings	107,110	99,476	2,763	1,257	109,873	100,733
Gain (Loss) on Sale of Capital Assets	(6,196)	2,702	-	-	(6,196)	2,702
Miscellaneous	11,982	18,067	-	-	11,982	18,067
<b>Total Revenues</b>	<b>11,486,275</b>	<b>8,559,909</b>	<b>1,189,214</b>	<b>1,190,826</b>	<b>12,675,489</b>	<b>9,750,735</b>
<b>Program Expenses</b>						
General Government	1,306,283	1,124,385			1,306,283	1,124,385
Professional Services	158,887	92,679			158,887	92,679
Public Safety	3,515,267	3,294,967			3,515,267	3,294,967
Code Enforcement/Zoning	289,743	226,983			289,743	226,983
Public Works	1,687,810	2,356,218			1,687,810	2,356,218
Water System			1,104,434	1,159,992	1,104,434	1,159,992
Parks and Recreation	471,980	320,064			471,980	320,064
Conservation and Development	24,802	15,688			24,802	15,688
Interest Expense	396,983	685,530			396,983	685,530
<b>Total Expenses</b>	<b>7,851,755</b>	<b>8,116,514</b>	<b>1,104,434</b>	<b>1,159,992</b>	<b>8,956,189</b>	<b>9,276,506</b>
Changes in Net Assets	3,634,520	443,395	84,780	30,834	3,719,300	474,229
Net Assets, beginning of year	<u>24,797,827</u>	<u>24,354,432</u>	<u>6,115,326</u>	<u>6,084,492</u>	<u>30,913,153</u>	<u>30,438,924</u>
Net Assets, end of year	<u>28,432,347</u>	<u>24,797,827</u>	<u>6,200,106</u>	<u>6,115,326</u>	<u>34,632,453</u>	<u>30,913,153</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

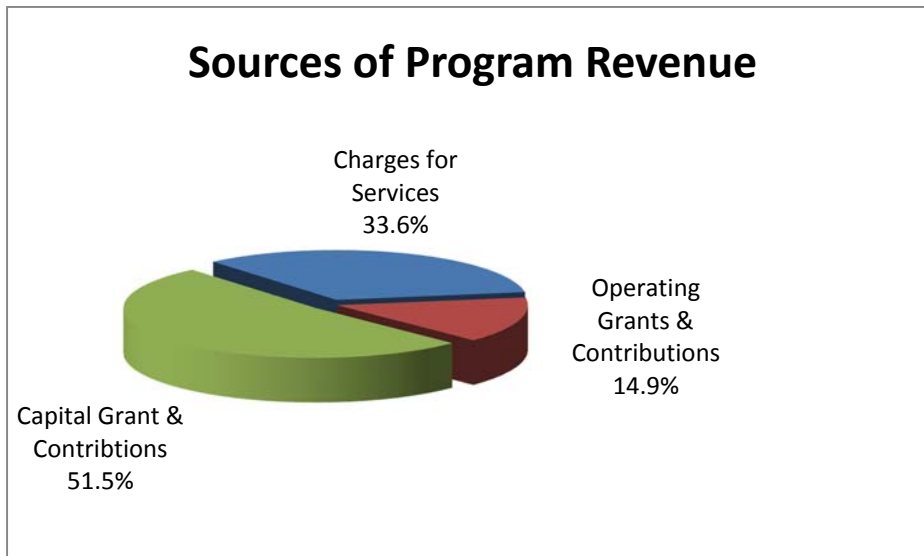
**THE TOWNSHIP AS A WHOLE (Continued)**

**Revenue Overview**

Total revenue from all sources was 12,675,489. Real estate taxes remain assessed at 13.94 mills for 2016. Transfers tax revenue decreased in 2016 (18.8%), due to the build-out of four residential subdivisions and substantial completion of a fifth. Earned income tax (EIT) continues to be the Township's most important revenue source, and saw a 6.7% increase in 2016 due to new residents moving into the Township. The Township continues to annually collect a \$52 Emergency Municipal Service tax. This tax is assessed on individuals working in the Township who earn more than \$12,000 per year. In 2016, this tax generated \$294,731 (7.8% less than in 2015) in revenue which was designated and continues to be used for capital expenditures relating to the Police and Public Works Departments. These expenditures are all permitted under the state law tax-enabling act.

Total revenues increased \$2,924,754 (30%) from the prior year. This was due primarily to the borrowing of \$2.5 million in the form of a General Obligation note, which will be used for three bridge projects slated for 2017 and 2018.

**Figure 1**

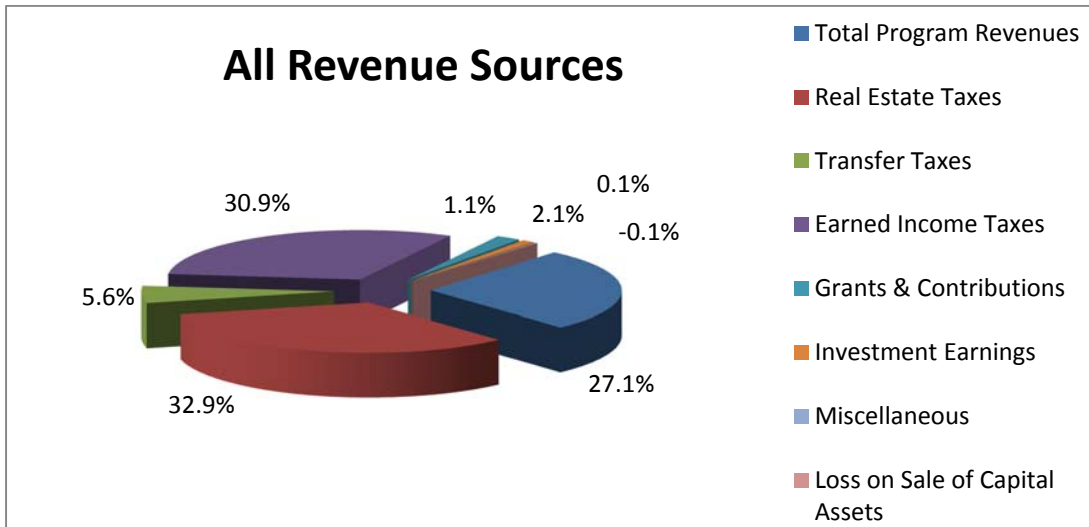


**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Revenue Overview (Continued)**

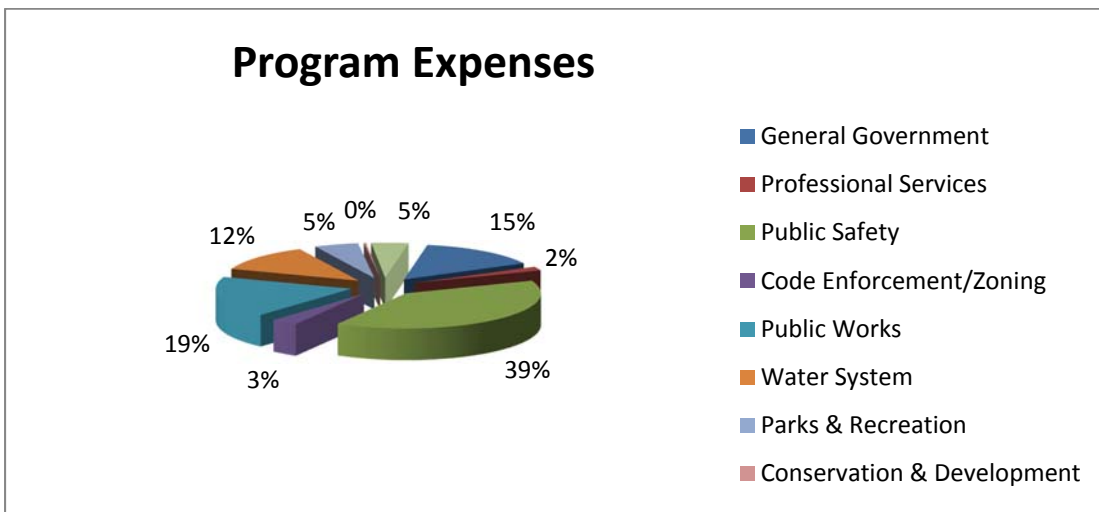
**Figure 2**



**Expense Overview**

Total expenses in all categories were \$8,956,189, a \$320,317 decrease (3.4%) over 2015. The majority of the decrease (\$829,042) is associated with a reduction in interest expense due to the refinancing of existing debt in 2016.

**Figure 3**



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The statement comparing the Township's budget and actual results for the General Fund can be found on page 69 of this report.

Taxes were 6.6% above budget as a result of additional earned income tax revenue from new residents who moved into several newly completed residential subdivisions. Earned Income Tax came in 8.9% over budget, while, charges for building, electrical and plumbing permits lagged from the budget due to the completion of new residential subdivisions. The cable franchise fees budget was increased in 2016 due to more residential connections with revenues coming from Comcast and Verizon. Even with this adjustment, the revenue still increased \$9,304 over budget.

**ITEMS OF GENERAL INTEREST**

**Water**

Residents and businesses of the Township are served by Plumstead Township Water Department, Doylestown Township Municipal Authority (DTMA), and on-lot water systems. The Township has no financial or management control of the water companies other than the Township's Water Department. The Township purchases bulk water from DTMA and the water customers supplied with it are customers of the Township's Water Department. Only expenses relating to the public water systems are paid out of the Township's Water Fund.

**Fire and Ambulance**

Residents and businesses of the Township are served by the Plumsteadville Volunteer Fire Company and the Point Pleasant Volunteer Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. The Point Pleasant/Plumsteadville EMS provides ambulance services utilizing some paid professionals. The Township distributed 1.5 mils of real estate taxes between the two fire companies and the ambulance squad and continues to maintain this dedicated millage in 2016.

**Public Facilities**

The Township owns seven parks of varying size along with smaller open space parcels, some located within residential subdivisions. The Joseph E. Hanusey III Community Park was dedicated in 2014, and contains a community building equipped with a generator. In November 2014, the Township dedicated a Veterans Park located on a small parcel of land located in the Plumsteadville Village area of the Township. The original portion of the Township Municipal Building, formerly one of thirteen one-room school houses in the Township is close to 150 years old. An addition was constructed twenty years ago, with the original portion of the building being converted to the public meeting room. It is a modern, functional site for local government operations. In 2013, a generator was installed on the Township building to ensure continuation of power and to serve as a comfort station for residents who have lost power during prolonged power outages. Public works is located on a remote site with a pole barn and a service garage that also houses staff quarters and offices. These buildings are in good condition.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**ANALYSIS OF INDIVIDUAL FUNDS**

The expenditures in the General Fund exceeded the revenues resulting in a deficit of \$87,954. This difference was deemed immaterial, as the larger revenue lines came in at or exceeded budget. The Township continued its practice of developing realistic, but conservative revenue projections in 2016. Overall, expenditures came in under budget (5.4%) primarily due to a hiring delay for a Parks & Recreation Program Coordinator, parks-related purchases being delayed and several road projects coming in under budget. The Township continues to take a conservative approach with its spending, with Department Heads and the Township Manager monitoring the various line items on a monthly basis and presenting reports to the Board of Supervisors each month with a more in-depth evaluation at the end of each quarter.

**Other Funds**

This category includes the Open Space Fund, Park and Recreation Fund, Water Fund, State Liquid Fuels Fund and the Debt Service Fund. The Debt Service Fund is comprised of the following issuances: 2009 General Obligation Bond, 2013 General Obligation Bond, 2015 General Obligation Bond, and two 2016 General Obligation Notes.

**Open Space Fund**

This fund is a holding account for the proceeds of General Obligation bond proceeds to be used to purchase open space and conservation easements. These borrowings were a result of a voter-approved referendum in 2005 authorizing the Township to borrow up to \$8 million for land preservation. The Township expended \$23,744 during 2016 for the annual monitoring and inspections of conservation easements within the Township.

**Debt Service Fund**

**2009 General Obligation Bond**

The debt service payments associated with this bond come from real estate tax revenues. A portion remains in place due to the interest rates that were in place at the time of the issuance.

**2013 General Obligation Bond**

This issuance refunded part of the 2009 General Obligation Bond, paid off the loan for the roof replacement on the Township building and provided funding for parks and future road improvements.

**2015 General Obligation Bond**

This issuance refunded part of the 2010 General Obligation Bond and paid off the 2014 General Obligation Note.

**2016 General Obligation Note**

This issuance provided a current refunding of the 2010 General Obligation Bond. The refunding reduced future debt service payments by \$170,938.

**2016 General Obligation Note**

This issuance through TD Bank will pay for three bridge projects planned for construction in 2017 and 2018. The money was borrowed in December because of historically low interest rates.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**ANALYSIS OF INDIVIDUAL FUNDS (Continued)**

**Water Fund**

This fund receives revenue from charges for water service. This fund operated at a surplus of \$155,158 primarily due to an increase in residential connections. As part of a rate increase in 2015, the Board of Supervisors has established a reserve for capital improvements with the amount designated each year representing the annual depreciation expense.

**State Liquid Fuels Fund**

This fund receives revenue from the Commonwealth of Pennsylvania from motor vehicle fuel taxes. This fund had routine and unremarkable results in 2016 and the fund balance of \$155,083 is in place to cover unexpected costs relating to road repairs or snow removal in the early part of the following year before the 2017 allocation is received.

**Pension Plans**

Full-time Township employees are also members of the Police or Non-Uniformed pension plan. The Police Pension plan is 86.9% actuarially funded, and the non-uniformed plan is 78.5% actuarially funded. The Township is eligible for Act 205 assistance in the form of state aid. The Non-Uniform plan is administered by Pennsylvania Municipal Retirement System. The Uniform plan is administered by Haverford Trust in accordance with Pennsylvania Act 600 and Township Ordinance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Township has \$23,869,724 invested in Capital Assets, Net of Related Debt. GASB 34 was adopted during the 2004 fiscal year; during 2004 valuation calculations were made for almost 68 miles of Township streets and roads, as well as traffic signals, storm sewers, and drainage structures.

Significant capital events during the year included the reconstruction and milling/paving of several Township roads, the rehabilitation of a well and the installation of an irrigation system for several sports fields located in one of the Township's most utilized parks, and the completion of a 26-acre park enhancement project, which is adjacent to a local public elementary school and includes trails, an outdoor education area and educational signage about the environment found in the park.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

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

**Discussion of Future Plans**

In order to retain some of the Township's rural heritage, past Board of Supervisors have committed to preserving land primarily through conservation easements as it has proven to be the most judicious use of funds as opposed to actual land acquisition. All acquisitions were funded through the use of voter-approved open space bond proceeds. Additionally, in November 2009 the voters approved a referendum authorizing the Township to borrow up to \$4.5 million for the acquisition of land to develop a Township park that would contain both active and passive recreation for all ages. The Township used part of this money in 2013 to acquire two parcels of land adjacent to each other and one of the Township parks, turning a 26-acre park into 100 acres of natural areas. In 2009, the Township developed a five-year capital program to fund public safety, public works and public water system capital expenses. As part of this program, the Township has developed a standard replacement plan for police vehicles. Road maintenance and roadway construction plans, and park improvements along with Public Works equipment needs were again reevaluated in early 2017 as part of preliminary planning in advance of the next budget season. The Board of Supervisors will continue to look to this plan when determining acceptable levels of expenditures in the coming years, as well as determining the need for borrowing funds to achieve the goals of the roadway improvement program. The Township will continue to utilize available technology where practical to increase efficiency, including investigating "green" alternatives for its various operations. As a customer of PECO Energy, the Township saw its rate cap expire at the end of 2010 and entered into a four-year contract with Constellation Energy to provide electric with PECO still serving as the distributor, and in 2014 awarded a three-year contract to Constellation Energy. The Township is in the early stages of seeking new pricing to lock in the most attractive rates for the longest period possible. In 2017 the Township along with 33 other municipalities in Bucks County will begin negotiations with Verizon for a new cable franchise agreement.

**Debt**

The Township's General Long-Term Debt increased by 7.4% in 2016. The Township has maintained its Aa2 rating from Standard and Poor's.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

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

**Debt (Continued)**

**Table 3**

**General Long-Term Debt**

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2016
<b><u>Governmental Activities</u></b>				
2009 General Obligation Bond- Series B	680,000		335,000	345,000
2010 General Obligation Bond	3,625,000		3,625,000	-
2013 General Obligation Bond	9,395,000		70,000	9,325,000
Pennsylvania Infrastructure Loan	358,000		140,276	217,724
2015 General Obligation Bond	5,455,000		20,000	5,435,000
2016 General Obligation Note		3,668,471	533,809	3,134,662
2016 General Obligation Note		2,500,000		2,500,000
	<b>\$ 19,513,000</b>	<b>\$ 6,168,471</b>	<b>\$ 4,724,085</b>	<b>\$ 20,957,386</b>

**ECONOMIC FORECAST**

As discussed above, the Township has four major sources of revenue:

- Earned Income Tax
- Real Estate Tax
- Local Services Tax
- Real Estate Transfer Tax

Current revenues remain consistent with our assumptions, which were modified to reflect the completion of new residential development in the Township in 2016. The Board of Supervisors voted to maintain the real estate tax rate of 13.94 mills, and use certain designated reserves for infrastructure projects and certain capital expenditures in the Township.

The Township continues to strive to offer services expected of a local municipality, while practicing fiscal responsibility as it pertains to its expenditures. The Township will evaluate increasing staff levels in individual departments when warranted, recognizing that the needs and wishes of our residents change through the years.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Management's Discussion and Analysis (unaudited)**  
**Year Ended December 31, 2016**

**CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT TEAM**

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of important financial matters in a format that is both comprehensive and understandable in nature. For questions relating to the Management Discussion and Analysis, please contact Carolyn McCreary, ICMA-CM, the Township Manager at 5186 Stump Road, Box 387, Plumsteadville, Pennsylvania 18949 or call (215)766-8914 or visit our website at [www.plumstead.org](http://www.plumstead.org).

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Net Position**  
**December 31, 2016**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 7,906,048	\$ 1,097,127	\$ 9,003,175
Taxes Receivables	1,273,952	0	1,273,952
Accounts Receivable	0	316,003	316,003
Prepaid Expenses and Other Receivables	24,256	0	24,256
<b>Total Current Assets</b>	<b>9,204,256</b>	<b>1,413,130</b>	<b>10,617,386</b>
<b>Noncurrent Assets</b>			
Net Capital Assets	39,766,257	7,148,349	46,914,606
<b>Total Assets</b>	<b>48,970,513</b>	<b>8,561,479</b>	<b>57,531,992</b>
<b>Deferred Outflows of Resources</b>			
Deferred Pension Outflows	746,093	0	746,093
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Portion of General Obligation Notes	1,149,054	0	1,149,054
Current Portion of Capital Lease Payable	47,125	0	47,125
Accounts Payable and Accrued Expenses	190,153	217,279	407,432
Accrued Wages and Payroll Taxes	50,765	2,759	53,524
Accrued Interest Payable	19,163	0	19,163
Internal Balances	(261,918)	261,918	0
Customer Deposits	146,489	0	146,489
<b>Total Current Liabilities</b>	<b>1,340,831</b>	<b>481,956</b>	<b>1,822,787</b>
<b>Noncurrent Liabilities</b>			
General Obligation Note Payable	19,564,700	0	19,564,700
Capital Lease Payable	142,968	0	142,968
Internal Balances	(1,879,417)	1,879,417	0
Compensated Absences	359,234	0	359,234
Net Pension Liability	1,580,852	0	1,580,852
<b>Total Noncurrent Liabilities</b>	<b>19,768,337</b>	<b>1,879,417</b>	<b>21,647,754</b>
<b>Total Liabilities</b>	<b>21,109,168</b>	<b>2,361,373</b>	<b>23,470,541</b>
<b>Deferred Inflows of Resources</b>			
Deferred Pension Inflows	175,091	0	175,091
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	18,862,410	5,007,314	23,869,724
<b>Restricted for</b>			
Capital Projects	3,091,190	0	3,091,190
Debt Service	3,341,484	0	3,341,484
Other	632,215	0	632,215
Unrestricted	2,505,048	1,192,792	3,697,840
<b>Total Net Position</b>	<b>\$ 28,432,347</b>	<b>\$ 6,200,106</b>	<b>\$ 34,632,453</b>

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Activities**  
**Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government				
Legislative	\$ 49,027	\$ 0	\$ 0	\$ 0
Executive	147,610	0	0	0
Finance and Tax Collection	214,099	0	0	0
Professional Fees	158,887	0	0	0
General Government	895,547	334,381	261,359	0
Public Safety				
Police	3,019,422	40,166	0	0
Fire/EMS	495,845	37,399	132,515	0
Code Enforcement and Zoning	289,743	222,428	0	0
Highways				
Highway Maintenance	1,620,160	0	427,968	2,835,189
Snow and Ice Removal	24,001	0	0	0
Street Lighting	43,649	0	0	0
Park and Recreation	471,980	30,642	0	0
Conservation and Development	24,802	0	0	0
Interest Expense	396,983	0	0	0
Total Governmental Activities	<u>7,851,755</u>	<u>665,016</u>	<u>821,842</u>	<u>2,835,189</u>
<b>Business-Type Activities</b>				
Water	<u>1,104,434</u>	<u>1,186,451</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 8,956,189</u>	<u>\$ 1,851,467</u>	<u>\$ 821,842</u>	<u>\$ 2,835,189</u>

General Revenues  
Real Estate Taxes  
Real Estate Transfer Taxes  
Earned Income Tax  
Grants and Contributions  
Investment Income and Rents  
Miscellaneous  
Loss on Sale of Capital Assets  
Total General Revenues

Change in Net Position

Net Position  
Beginning of Year

End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (49,027)	\$ 0	\$ (49,027)
(147,610)	0	(147,610)
(214,099)	0	(214,099)
(158,887)	0	(158,887)
(299,807)	0	(299,807)
(2,979,256)	0	(2,979,256)
(325,931)	0	(325,931)
(67,315)	0	(67,315)
1,642,997	0	1,642,997
(24,001)	0	(24,001)
(43,649)	0	(43,649)
(441,338)	0	(441,338)
(24,802)	0	(24,802)
(396,983)	0	(396,983)
(3,529,708)	0	(3,529,708)
0	82,017	82,017
(3,529,708)	82,017	(3,447,691)
3,245,782	0	3,245,782
552,669	0	552,669
3,048,599	0	3,048,599
204,282	0	204,282
107,110	2,763	109,873
11,982	0	11,982
(6,196)	0	(6,196)
7,164,228	2,763	7,166,991
3,634,520	84,780	3,719,300
24,797,827	6,115,326	30,913,153
\$ 28,432,347	\$ 6,200,106	\$ 34,632,453

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	General Fund	Capital Reserve Fund	Debt Service Fund
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,228,053	\$ 2,941,591	\$ 1,007,127
Taxes Receivable	1,146,139	0	42,207
Note Receivable from Water Fund	0	0	2,141,035
Due from (to) Other Funds	(169,928)	0	170,278
Prepaid Expenses and Other Receivables	22,892	0	0
	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 4,227,156</b>	<b>\$ 2,941,591</b>	<b>\$ 3,360,647</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 155,770	\$ 0	\$ 0
Accrued Wages and Payroll Taxes	50,765	0	0
Customer Deposits	146,489	0	0
Total Liabilities	353,024	0	0
 <b>Deferred Inflows of Resources</b>			
Deferred Tax Receipts	582,623	0	37,794
 <b>Fund Balances</b>			
Nonspendable	4,379	0	2,141,035
Restricted	0	0	1,181,818
Committed	0	0	0
Assigned	0	2,941,591	0
Unassigned	3,287,130	0	0
Total Fund Balances	3,291,509	2,941,591	3,322,853
	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<b>\$ 4,227,156</b>	<b>\$ 2,941,591</b>	<b>\$ 3,360,647</b>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 729,277	\$ 7,906,048
85,606	1,273,952
0	2,141,035
0	350
1,314	24,206
<u>816,197</u>	<u>11,345,591</u>

\$ 34,383	\$ 190,153
0	50,765
0	146,489
<u>34,383</u>	<u>387,407</u>

<u>24,486</u>	<u>644,903</u>
---------------	----------------

0	2,145,414
570,608	1,752,426
186,720	186,720
0	2,941,591
0	3,287,130
<u>757,328</u>	<u>10,313,281</u>
<u>816,197</u>	<u>11,345,591</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**December 31, 2016**

Total Governmental Fund Balances	\$ 10,313,281
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, Not Reported in Funds, Net of Accumulated Depreciation of \$10,160,402.	39,766,257
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	644,903
Deferred Pension Outflows of Resources Are Not Available in the Current Period	746,093
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Notes Payable	(20,713,754)
Capital Lease Payable	(190,093)
Accrued Interest Payable	(19,163)
Compensated Absences	(359,234)
Net Pension Liability	(1,580,852)
Deferred Pension Inflows of Resources Are Not Available in the Current Period	(175,091)
Net Position of Governmental Activities	<u><u>\$ 28,432,347</u></u>

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>
<b>Revenues</b>			
Taxes	\$ 4,412,186	\$ 0	\$ 1,732,597
Intergovernmental	404,580	28,000	0
Charges for Services	309,731	0	0
Fines, Licenses and Permits	344,215	0	0
Interest Income and Rents	100,882	1,266	3,163
Miscellaneous Revenues	189,699	0	0
Total Revenues	<u>5,761,293</u>	<u>29,266</u>	<u>1,735,760</u>
<b>Expenditures</b>			
General Government	820,090	29,750	0
Public Safety	3,282,794	0	0
Public Works	917,885	105,919	0
Parks and Recreation	409,575	0	0
Conservation and Development	0	0	0
Debt Service - Principal	21,283	0	1,099,086
Debt Service - Interest	870	0	432,901
Capital Expenditures	257,091	313,353	0
Miscellaneous Governmental	139,659	0	2,097
Total Expenditures	<u>5,849,247</u>	<u>449,022</u>	<u>1,534,084</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,954)</u>	<u>(419,756)</u>	<u>201,676</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Issuance of Long-Term Note	0	2,500,000	3,668,471
Payment to Debt Escrow Agent	0	0	(3,627,271)
Debt Issuance Costs	0	0	(41,200)
Operating Transfers In (Out)	(170,278)	341,980	(171,702)
Total Other Financing Sources (Uses)	<u>(170,278)</u>	<u>2,841,980</u>	<u>(171,702)</u>
Net Change in Fund Balances	(258,232)	2,422,224	29,974
<b>Fund Balances</b>			
Beginning of Year	<u>3,549,741</u>	<u>519,367</u>	<u>3,292,879</u>
End of Year	<u>\$ 3,291,509</u>	<u>\$ 2,941,591</u>	<u>\$ 3,322,853</u>

See Notes to Financial Statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 652,630	\$ 6,797,413
579,743	1,012,323
0	309,731
0	344,215
1,799	107,110
5,564	195,263
<u>1,239,736</u>	<u>8,766,055</u>
5,116	854,956
318,964	3,601,758
599,853	1,623,657
0	409,575
23,744	23,744
37,263	1,157,632
4,457	438,228
71,881	642,325
0	141,756
<u>1,061,278</u>	<u>8,893,631</u>
<u>178,458</u>	<u>(127,576)</u>
0	6,168,471
0	(3,627,271)
0	(41,200)
0	0
<u>0</u>	<u>2,500,000</u>
178,458	2,372,424
<u>578,870</u>	<u>7,940,857</u>
<u>\$ 757,328</u>	<u>\$ 10,313,281</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Reconciliation of the Net Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,372,424
Amounts Reported for Governmental Activities in the Statement 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 as Depreciation Expense. This is the Amount By Which Capital Outlays of \$642,325 and Dedications of \$2,683,414 Exceeded Depreciation Expense of \$598,612 and the Net Book Value of \$12,830 for Assets Disposed of in the Current Year.	2,714,297
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	49,636
Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	4,817,827
Proceeds from Issuance of Long-Term Notes Are Other Financing Sources in the Governmental Funds but the Proceeds Increase Long-Term Liabilities of the Statement of Net Position.	(6,168,471)
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported As Expenditures in Governmental Funds.	
Accrued Interest Payable	7,574
Compensated Absences	9,812
Pension Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Revenues or Expenditures in Governmental Funds.	
Deferred Pension Outflows	64,839
Deferred Pension Inflows	29,401
Net Pension Liability	<u>(262,819)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,634,520</u></u>

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Net Position**  
**Proprietary Funds - Water Fund**  
**December 31, 2016**

**Assets**

Current Assets	
Cash	\$ 1,097,127
Accounts Receivable	316,003
Total Current Assets	1,413,130
Noncurrent Assets	
Net Capital Assets	7,148,349
Total Assets	8,561,479

**Liabilities**

Current Liabilities	
Current Portion of Note Payable to Debt Service Fund	261,618
Accounts Payable	217,279
Accrued Wages and Payroll Taxes	2,759
Due to Other Funds	300
Total Current Liabilities	481,956
Noncurrent Liabilities	
Note Payable to Debt Service Fund	1,879,417
Total Liabilities	2,361,373

**Net Position**

Invested in Capital Assets, Net of Related Debt	5,007,314
Unrestricted	1,192,792
Total Net Position	\$ 6,200,106

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds - Water Fund**  
**Year Ended December 31, 2016**

Operating Revenues	
Charges and Fees	\$ 1,174,934
Miscellaneous	11,517
Total Operating Revenues	<u>1,186,451</u>
Operating Expenses	
Depreciation	299,642
Salaries, Wages and Benefits	220,899
Distribution Expense	191,373
Contracted Services	75,768
Professional Fees	60,576
Repairs and Maintenance	53,888
Utilities	52,242
Operating Material and Supplies	20,502
Telephone	16,408
Insurance	15,000
Lab Expenses	11,908
Other	8,097
Office Supplies and Expenses	4,990
Total Operating Expenses	<u>1,031,293</u>
Operating Income Before Nonoperating Revenues (Expenses)	<u>155,158</u>
Nonoperating Revenues (Expenses)	
Interest Income	2,763
Interest Expense	(73,141)
Total Nonoperating Revenue (Expenses)	<u>(70,378)</u>
Change in Net Position	84,780
Net Position	
Beginning of Year	<u>6,115,326</u>
End of Year	<u><u>\$ 6,200,106</u></u>

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2016**

Cash Flows from Operating Activities	
Receipts from Customers	\$ 1,194,515
Payments to Suppliers	(374,598)
Payments to Employees	(220,466)
Net Cash Provided by Operating Activities	599,451
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(232,940)
Principal Paid on Note Payable	(373,965)
Interest Paid on Note Payable	(73,141)
Net Cash Used in Capital and Related Financing Activities	(680,046)
Cash Flows from Investing Activities	
Interest Income	2,763
Net Decrease in Cash	(77,832)
Cash	
Beginning of Year	1,174,959
End of Year	\$ 1,097,127
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Income	\$ 155,158
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	299,642
Change in Net Assets and Liabilities	
Accounts Receivable	8,064
Due from Other Funds	4,968
Accounts Payable	136,154
Accrued Wages and Payroll Taxes	(4,835)
Due to Other Funds	300
Net Cash Provided by Operating Activities	\$ 599,451

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Fiduciary Net Position**  
**December 31, 2016**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 195,132	\$ 911,007
Investments	8,962,097	0
Contributions Receivable	2,056	0
Accrued Interest Receivable	17,754	0
	<hr/>	<hr/>
<b>Total Assets</b>	<b>9,177,039</b>	<b>911,007</b>
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts Payable	0	35,039
Due to Other Funds	0	50
Escrow Deposits	0	875,918
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>0</b>	<b>\$ 911,007</b>
	<hr/>	<hr/>
<b>Net Position</b>		
Held in Trust for Pension Benefits	<b>\$ 9,177,039</b>	
	<hr/> <hr/>	

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended December 31, 2016**

Additions	
Contributions	
Plan Members	\$ 65,440
State	196,859
Employer	201,386
Total Contributions	<u>463,685</u>
Investment Earnings	
Net Appreciation in Fair Value of Investments	247,801
Dividends	276,690
	<u>524,491</u>
Less Investment Expense	(56,959)
Total Net Investment Earnings	<u>467,532</u>
Total Additions	<u>931,217</u>
Deductions	
Benefits	237,037
Administrative Expense	4,291
Total Deductions	<u>241,328</u>
Change in Net Position	689,889
Net Position, Held in Trust	
Beginning of Year	<u>8,487,150</u>
End of Year	<u>\$ 9,177,039</u>

See Notes to Financial Statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**1. Summary of Significant Accounting Policies**

Plumstead Township was incorporated in 1725, in Bucks County, Pennsylvania. The Township is classified as a “Township of the Second Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Township includes all funds that are part of the primary financial reporting entity.

The Township’s statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

**A. Reporting Entity**

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 61, requires Plumstead Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township. Financial accountability is present if the Township appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific benefits to, or impose specific benefits on, the Township. Based upon the aforementioned criteria, there were no entities considered for inclusion in the reporting entity.

**B. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**B. Basis of Presentation (Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

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

**FUND FINANCIAL STATEMENTS**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**B. Basis of Presentation (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

**Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
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**December 31, 2016**

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

**B. Basis of Presentation (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Governmental Funds (Continued)**

**Special Revenue Funds (Continued)**

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
State Highway Aid	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Park and Recreation	Accounts for revenues and expenditures of park and recreation tax funds	No
Emergency Services	Accounts for revenues and expenditures of fire protection and ambulance funds	No
Local Services Tax	Accounts for tax revenue received from local services tax	No
Open Space	Accounts for tax revenue received to be spent preserving open space in the Township	No

**Capital Projects Fund** - Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The reporting entity includes the following capital projects funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve	Accounts for acquisition or construction of capital assets	Yes
Flood Mitigation Grant	Accounts for the grant revenue and expenses of flood mitigation grant	No

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

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

**B. Basis of Presentation (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund** - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. This fund is a major fund.

**Proprietary Funds**

**Enterprise Fund** – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water Fund.

**Fiduciary Funds**

**Pension Trust and Agency Funds** – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Agency Funds (which include the Developers Escrow Funds and other agency funds) are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined on the following page.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
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**1. Summary of Significant Accounting Policies (Continued)**

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

**Measurement Focus (Continued)**

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**D. Cash Equivalents**

For reporting purposes, the Township defines cash and cash equivalents as cash and investments that have a maturity value of less than three months.

**E. Investments and Fair Value**

Investments in debt and equity securities with readily determinable fair market values are recorded at fair value, as required by Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Realized and unrealized gains and losses are recorded in the statement of activities, statement of revenues, expenditures, and changes in fund balances as revenue (governmental activities), and on the statement of changes in fiduciary net position (fiduciary funds).

**F. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

**G. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident’s property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, grants, and police fines. Business-type activities report water billings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**H. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

<u>Classifications</u>	<u>Years</u>
Land/Park Improvements	20-40
Buildings and Improvements	20-40
Water Systems	40
Vehicles	5-25
Machinery, Equipment and Furniture	3-20
Infrastructure	40

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**I. Long-Term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds and notes payable, capital leases, pension liabilities, and accrued compensated absences.

Long-term obligations for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**J. Compensated Absences**

The Township employees accumulate sick time in accordance with their applicable contracts. Non-uniformed employees are granted 12 days sick leave per year with an accumulation of unused sick leave of 120 days. Upon retirement or termination, non-uniformed employees are paid at 40% of their pay rate for all sick days accumulated up to a maximum of 90 days.

Uniformed employees are granted 12 days sick leave per year with no limit on the accumulation of days. Upon retirement or termination, uniformed employees are paid at 60% of their pay rate for all sick days accumulated.

The Township's vacation policy for non-uniformed employees encourages the use of all vacation days during the calendar year. Uniformed employees may carry forward a maximum of 12 days' vacation time to the following year. Both uniformed and non-uniformed vacation allowances vary depending on length of service and, upon retirement or termination are paid at 100% of the respective employee's pay rate.

The Township is liable to employees in the amount of \$359,234 for vested sick and vacation pay at December 31, 2016.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**K. Equity Classifications**

**Government-Wide Statements**

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors. The constraint can only be changed or removed by another formal action of the Board. The same formal action that imposed the constraint originally (e.g., resolution or ordinance), must be used to change or lift it.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Township Manager, as well as the Board of Supervisors.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**K. Equity Classifications (Continued)**

**Fund Statements (Continued)**

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

Proprietary fund equity is classified the same as in the government-wide statements.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one type of this item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Township has one type of this item that qualifies for reporting in this category in the government-wide statements. Additionally, the Township has one type of this item that qualifies for reporting in this category in the fund financial statements. Accordingly, this item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, earned income taxes and local services taxes. The government wide statement does not report unavailable revenues.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**M. Stewardship, Compliance and Accountability**

**Budgetary Data**

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The taxes levied by the Township are fixed at such figure within the limit allowed by law, as with all other sources of revenues, and will meet and cover appropriations.
4. The budget is formally adopted by the Board of Supervisors prior to December 31.
5. Amendments may be made by the Board of Supervisors during the year.

**N. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**O. Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**P. Estimates**

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

**2. Cash and Investments**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 9,003,175
Statement of Fiduciary Net Position:	
Cash	1,106,139
Investments	<u>8,962,097</u>
Total Cash and Investments	<u>\$ 19,071,411</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with Financial Institutions	\$ 9,914,182
Money Market Funds	195,132
Investments	<u>8,962,097</u>
Total Cash and Investments	<u>\$ 19,071,411</u>

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**2. Cash and Investments (Continued)**

**A. Cash Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. The Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, as required by Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2016, \$9,688,244 of the Township’s bank balance of \$9,940,963 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township’s name.

**B. Investments**

At December 31, 2016, the Township’s deposits and investments consisted of the following:

Fiduciary Funds:	
PMRS	\$ 2,107,971
U.S. and Municipal Government Agencies	686,055
Common Stocks	2,779,565
Corporate Bonds	1,494,265
EMF/ETF Funds	1,052,089
Mutual Funds	<u>842,152</u>
 Total Investments	 <u>\$ 8,962,097</u>

The investments held by the Pennsylvania Municipal Retirement System (PMRS) are held in an external investment pool and represent non-uniform pension investments that are reported at fair value. PMRS functions as the investment and administrative agent for the Township’s Non-Uniform Pension Plan (see Note 10).

**Investments Authorized by Township Code**

The Township’s Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and shares of the Pennsylvania Local Government Investment Trust (PLGIT) which are composed solely of the obligations noted above.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices and state statutes.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**2. Cash and Investments (Continued)**

**B. Investments (Continued)**

**Investments Authorized by Township Code (continued)**

The Township does not currently have an investment policy as all of their governmental funds are held in bank accounts or PLGIT accounts. The amount held in PLGIT accounts was \$1,001,446 at December 31, 2016, and is included in the governmental cash balance. Fiduciary investments are held and managed by the Haverford Trust (Police Pension) and PMRS (Non-Uniform Pension).

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With the exception of money market funds and certificates of deposit held in the fiduciary funds, all of the Township's investments are either invested in securities which are not subject to custodial credit risk because they do not involve a transferable financial instrument or are backed by the full faith and credit of the U.S. Government. The money market funds of \$195,132 are covered by Securities Investor Protection Corporation up to \$250,000.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. As of December 31, 2016, the Township's investment in the external investment pool was rated AAA by S&P. The Township's investment in bonds and bond mutual funds was rated AAA to BBB by Morningstar.

**Concentration of Credit Risk**

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township does not currently invest 5% of its assets in any one of its equities, corporate or international bond issuers.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**2. Cash and Investments (Continued)**

**B. Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Township's investments in corporate bonds and U.S. obligations have remaining maturity dates that range from the years 2017 to 2034. The securities with longer maturity dates are highly sensitive to interest rate risk.

Information on the Township's interest rate risk on its fiduciary investments held by PMRS was not available to the Township at December 31, 2016.

**Fair Value of Investments**

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2; and measurements using significant unobservable inputs fall within Level 3.

Information related to the Township's assets measured at fair value on a recurring basis at December 31, 2016, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool	\$ 2,107,971	\$ 0	\$ 0	\$ 2,107,971
US Government Obligations	280,522	0	280,522	0
Municipal Bonds and Notes	405,533	0	405,533	0
Common Stocks	2,779,565	2,779,565	0	0
Corporate Bonds and Notes	1,494,265	1,494,265	0	0
EMF/ETF Funds	1,052,089	1,052,089	0	0
Mutual Funds	842,152	842,152	0	0
<b>Total Investments</b>	<b>\$ 8,962,097</b>	<b>\$ 6,168,071</b>	<b>\$ 686,055</b>	<b>\$ 2,107,971</b>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**3. Fiduciary Funds – Escrow Fund**

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers, other applicants and other municipalities. Escrow deposits of \$875,918 represent the net developer and other balances held at December 31, 2016.

**4. Property Taxes**

Taxes are levied on December 31, based on the assessed value established by the Bucks County Board of Assessments. Bills are sent out on February 1 by the Township's tax collector. Real property in the Township was originally assessed at \$212,865,350 for 2016. Property taxes attach as an enforceable lien on property as of December 31. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills (19 with court approval) of assessed property valuation for general purposes and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2016: general purposes, 4.02 mills; fire tax purposes, 1.1 mills; ambulance, .40 mills; open space, 0.188 mills; debt service, 8.232 mills.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**5. Capital Assets**

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

	Balance 1/1/16	Additions	Disposals	Balance 12/31/16
<b>Governmental Activities</b>				
Assets Not Being Depreciated				
Land and Conservation Easements	\$ 27,400,578	\$ 0	\$ 0	\$ 27,400,578
Depreciable Assets				
Land Improvements	1,128,451	78,308	0	1,206,759
Buildings and Improvements	4,615,329	121,617	0	4,736,946
Vehicles	1,699,126	99,116 *	47,842	1,750,400
Machinery and Equipment	1,531,988	95,490	154,815	1,472,663
Infrastructure	10,365,915	2,993,398 **	0	13,359,313
Total at Historical Cost	46,741,387	3,387,929	202,657	49,926,659
* Includes equipment of \$62,190 acquired through a capital lease.				
** Includes dedications of roads and improvements of \$2,683,414.				
Less Accumulated Depreciation				
Land Improvements	67,641	25,453	0	93,094
Buildings and Improvements	2,246,137	122,118	0	2,368,255
Vehicles	1,219,553	107,627	38,310	1,288,870
Machinery and Equipment	1,069,095	82,156	151,517	999,734
Infrastructure	5,149,191	261,258	0	5,410,449
Total Accumulated Depreciation	9,751,617	598,612	189,827	10,160,402
Total Governmental Activities Net Capital Assets	\$ 36,989,770	\$ 2,789,317	\$ 12,830	\$ 39,766,257
<b>Business-Type Activities</b>				
Assets Not Being Depreciated				
Land	\$ 115,313	\$ 0	\$ 0	\$ 115,313
Depreciable Assets				
Buildings and Improvements	120,408	0	0	120,408
Machinery and Equipment	487,717	82,340	2,387	567,670
Vehicles	177,220	0	0	177,220
Water System	10,464,792	150,600	0	10,615,392
Total at Historical Cost	11,365,450	232,940	2,387	11,596,003
Less Accumulated Depreciation				
Buildings and Improvements	23,685	3,577	0	27,262
Machinery and Equipment	228,059	25,646	2,387	251,318
Vehicles	104,051	7,770	0	111,821
Water System	3,794,604	262,649	0	4,057,253
Total Accumulated Depreciation	4,150,399	299,642	2,387	4,447,654
Total Business-Type Net Capital Assets	\$ 7,215,051	\$ (66,702)	\$ 0	\$ 7,148,349

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**5. Capital Assets (Continued)**

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 124,915
Police	83,696
Highway Maintenance	326,057
Code Enforcement and Zoning	481
Parks and Recreation	62,405
Land Preservation	1,058
	<u>598,612</u>
Business-Type Activities	
Water System	<u>299,642</u>
 Total Depreciation Expense	 <u>\$ 898,254</u>

**6. Long-Term Obligations**

The Township's General Long-Term Obligations changed as follows during the year:

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Due within One Year
<b>Governmental Activities</b>					
2009 General Obligation Bonds - Series B	\$ 680,000	\$ 0	\$ 335,000	\$ 345,000	\$ 345,000
2010 General Obligation Bonds	3,625,000	0	3,625,000	0	0
2013 General Obligation Bonds	9,395,000	0	70,000	9,325,000	75,000
Pennsylvania Infrastructure Loan	358,000	0	140,276	217,724	828
2015 General Obligation Bonds	5,455,000	0	20,000	5,435,000	240,000
2016 General Obligation Notes	0	3,668,471	533,809	3,134,662	393,276
2016 General Obligation Notes	0	2,500,000	0	2,500,000	94,950
Deferred Discount/Premiums:					
Bond Premiums	49,479	0	49,479	0	0
Bond Discounts	(257,916)	0	(14,284)	(243,632)	0
Subtotal	<u>19,304,563</u>	<u>6,168,471</u>	<u>4,759,280</u>	<u>20,713,754</u>	<u>1,149,054</u>
Capital Lease Obligations	186,449	62,190	58,546	190,093	47,125
Compensated Absences	<u>369,046</u>	<u>0</u>	<u>9,812</u>	<u>359,234</u>	<u>0</u>
	<u>\$19,860,058</u>	<u>\$ 6,230,661</u>	<u>\$ 4,827,638</u>	<u>\$21,263,081</u>	<u>\$ 1,196,179</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
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**6. Long-Term Debt (Continued)**

**A. General Obligation Bonds and Notes**

The Township has issued general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. During 2016, the Township issued \$3,668,471 of general obligation notes to pay down prior debt of \$3,625,000. Additionally, in 2016, the Township issued \$2,500,000 of general obligation notes to be used for capital projects.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the Township. The bonds are generally issued at 15-20 year serial bonds with varying amounts of principal due during the year. See Note 6C for the future debt service requirements.

**B. Defeased Debt**

The Plumstead Township General Obligation Notes, Series 2016, were issued in the amount of \$3,668,471 for a current refunding of all of the Plumstead Township General Obligation Bonds, Series 2010. Annual principal payments are due on December 15, with interest being paid monthly. The refunding fully defeased the applicable portion of the 2010 Bonds and was undertaken to reduce future debt service payments by \$170,938. The present value savings at the time of the refunding on the 2010 Bonds was \$165,955. The refunded debt has been considered defeased and removed from this statement.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
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**6. Long-Term Debt (Continued)**

**C. Future Maturities of Long-Term Debt**

The revised debt service requirements for the General Obligation Bonds and Notes are shown below.

Year	Principal	12/31/16 Interest Rate	Interest	Total Debt Service
2017	\$ 1,149,054	1.625 – 3.50%	\$ 500,573	\$ 1,649,627
2018	1,353,455	1.625 – 3.50%	485,726	1,839,181
2019	1,380,256	1.625 – 3.50%	455,318	1,835,574
2020	1,396,792	1.625 – 3.50%	427,111	1,823,903
2021	1,064,190	1.625 – 3.50%	401,090	1,465,280
2022-2026	5,756,269	1.625 – 3.50%	1,632,822	7,389,091
2027-2031	5,489,400	1.625 – 3.50%	1,161,593	6,650,993
2032-2036	2,745,750	1.625 – 3.50%	343,231	3,088,981
2037-2041	622,220	1.625 – 3.50%	97,775	719,995
	<u>\$ 20,957,386</u>		<u>\$ 5,505,239</u>	<u>\$ 26,462,625</u>

**D. Interest Expense**

Interest expense during the year on all the above-noted long-term debt totaled \$503,891.

**7. Capital Leases Payable**

The Township entered into four lease agreements for the acquisition of public works vehicles and equipment. Annual lease payments are due through the year 2023. The capitalized cost of the leased equipment is \$315,786 and accumulated depreciation was \$49,799 at December 31, 2016. At December 31, 2016, future lease payments are due as follows:

Year	Amount
2017	\$ 52,357
2018	36,768
2019	32,447
2020	32,447
2021	19,186
2022-2023	33,576
	<u>206,781</u>
Less Interest Portion	<u>(16,688)</u>
	<u>\$ 190,093</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
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**8. Fund Balance Classifications**

	General Fund	Capital Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Expenses	\$ 4,379	\$ 0	\$ 0	\$ 0	\$ 4,379
Note Receivable from Water Fund	0	0	2,141,035	0	2,141,035
	<u>4,379</u>	<u>0</u>	<u>2,141,035</u>	<u>0</u>	<u>2,145,414</u>
Restricted for:					
Public Safety	0	0	0	2,189	2,189
Highways and Roads	0	0	0	155,083	155,083
Debt Service	0	0	1,181,818	0	1,181,818
Capital Projects	0	0	0	149,599	149,599
Open Space	0	0	0	263,737	263,737
	<u>0</u>	<u>0</u>	<u>1,181,818</u>	<u>570,608</u>	<u>1,752,426</u>
Committed for:					
Park and Recreation	0	0	0	132,860	132,860
Capital Projects	0	0	0	53,860	53,860
	<u>0</u>	<u>0</u>	<u>0</u>	<u>186,720</u>	<u>186,720</u>
Assigned for:					
Capital Projects	0	2,941,591	0	0	2,941,591
Unassigned	<u>3,287,130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,287,130</u>
Total Fund Balances	<u>\$ 3,291,509</u>	<u>\$ 2,941,591</u>	<u>\$ 3,322,853</u>	<u>\$ 757,328</u>	<u>\$ 10,313,281</u>

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
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**9. Interfund Transactions**

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
<b>Due To/From</b>			
Operating Expenses	General	Water	\$300
Operating Expenses	General	Escrow	\$50
Debt Service	Debt Service	General	\$170,278
Water System Loan *	Debt Service	Water	\$2,141,035
<b>Transfers</b>			
Capital Purchases	Capital Reserve	Debt Service	\$341,980
Debt Service	Debt Service	General	\$170,278

\* The Township had loaned funds from the issuance of the General Obligation Notes, Series 2010 from the Debt Service Fund to the Water Fund for improvements to the water system. During 2016, General Obligation Notes, Series 2016 were issued to refinance the General Obligation Notes, Series 2010. The receivables for this loan is recorded in the Debt Service Fund, and the liabilities in the Water Fund. All short-term interest and principal payments on the bond are paid through Debt Service.

**10. Defined Benefit Pension Plans**

**A. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, if required, to the Plan are recognized when due, in accordance with Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Method Used to Value Investments**

Investments are reported at fair value. The Police Plan's assets are managed by the Haverford Trust and the Non-Uniform Plan's assets are managed by the Pennsylvania Municipal Retirement System (PMRS). The Non-Uniform Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable securities.

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Plan Administration**

The Township administers two pension plans, Plumstead Township Police Pension Plan (Police Plan), a single-employer defined benefit pension plan, and Plumstead Township Non-Uniform Employees' Pension Plan (NU Plan), through PMRS, an agent multiple-employer defined benefit pension plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue standalone reports.

**Police Pension Defined Benefit Pension Plan**

The Plan is a single employer defined benefit plan that covers all full time police employees. Management of the plan is vested in the Police Pension Committee, which consists of five members – one representative of the Police force, who is a Township resident as well, one member of the Board of Supervisors, the Township Manager, and two Supervisors-appointed Township residents knowledgeable in the funding and operation of pension plans.

**Non-Uniform Defined Benefit Pension Plan**

The Plan participates in the PMRS, which is an agent multiple-employer public employee retirement system, which consists of over 900 participating employer plans. It is the responsibility of PMRS to act as a common investment agent for participating municipal pension plan. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of plan benefits to its members. Management of the plan is vested with PMRS, which consists of an 11 member Board – the State Treasurer, Secretary of the Commonwealth, and eight other members appointed by the Governor. A copy of the plan's financial statements can be obtained by writing to the Pennsylvania Municipal Retirement System, PO Box 1165, Harrisburg, PA 17108.

**Plan Membership**

At December 31, 2016, plan membership consisted of the following:

	Police	Non-Uniform
Active Employees	15	18
Retirees and Beneficiaries Currently Receiving Benefits	7	1
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	0	2
Total	22	21

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Benefits Provided**

The following table provides information concerning the **Township's Police Pension Plan**:

Covered Employees:	All full-time uniformed employees.
Normal Retirement:	Age 50 and the completion of 25 years of service for participants hired after January 1, 2006. Age 50 and the completion of 12 years of service for participants hired between January 1, 1984 and December 31, 2005. Age 59 and completion of 11 years of service for participants hired prior to January 1, 1984.
Early Retirement:	After 24 years of service for employees hired before January 1, 2006.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The monthly pension shall be 50% of the average compensation of the participant's last 36 months of employment, plus a service increment of \$25 per month, if officer completes 26 years or more of benefit service.
Death Benefit:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to an eligible child.
Disability Benefit	
Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability, reduced by Social Security disability benefits provided for the same illness or injury.
Non-Service Related:	None.
Member Contribution Rate:	3.5% of compensation.



**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Benefits Provided (Continued)**

The following table provides information concerning the **Township's Non-Uniform Employees' Pension Plan**:

Covered Employees:	All full-time non-uniformed employees.
Normal Retirement:	Age 65 and the completion of 10 years of credited service, or at age 60 and the completion of 25 years of credited service.
Vesting:	None for the first ten years of service; thereafter 100%.
Retirement Benefit:	Monthly benefit equal to 1.75% times credit service times final average salary, but no greater than 50% of final average salary. Final average salary is based upon the last two years' annualized salary.
Disability Benefit:	Equal to 40% of the rates set forth in the 1964 OASDI (social security) Experience for Males.

**Contributions**

For the Police Plan, participating employees are required to contribute a percentage of pay to be determined annually. For the year ended December 31, 2016, participating employees contributed 3.5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the NU Plan, no employee contributions are required. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before five years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the Entry Age Normal Actuarial Funding Method.

The Commonwealth of Pennsylvania provides funds (foreign casualty insurance premium taxes) to the Township, which are used in making contributions to the plans. The Township is required to contribute any remaining amounts necessary to fund the plans, using the actuarial basis specified by the state statute.

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**C. Investments**

**Investment Policy**

The Police Plan’s policy regarding the allocation of invested assets is established and may be amended by the Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Committees’ adopted asset allocation policy as of December 31, 2016, is as follows:

Asset Class	Target Allocation
Domestic Equity	61%
Fixed Income	35%
International Equity	0%
Real Estate	0%
Cash	4%
	100%

The Non-Uniform Plan’s assets are managed by the Pennsylvania Municipal Retirement System (PMRS). The Plan’s assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB Statement No. 3 for aggregate PMRS investments are included in PMRS’ separately issued Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the PMRS or contacting their accounting office.

The PMRS Board is governed by the “prudent investor” rule in establishing investment policy. The “prudent investor” rule requires the exercise of that degree of judgment, skill, and care under the circumstances then prevailing which investors of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to permanent disposition of the funds, considering the probable income to be derived there from, as well as the probable safety of their capital.

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**C. Investments (Continued)**

**Investment Policy (Continued)**

The Board has adopted its Statement of Investment Policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, established guidelines for permissible investments of PMRS. The pension plan's policy in regards to the allocation of invested plan assets is established and may be amended by the Board. The Board has established its allocation goals as follows:

Domestic Equities (Large Capitalized Firms)	25%
Domestic Equities (Small Capitalized Firms)	15%
International Equities (Developed Markets)	15%
International Equities (Emerging Markets)	10%
Fixed Income	15%
Real Estate	12.5%
Timberland	7.5%

**Concentrations**

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township does not currently invest 5% of its assets in any one of its equities, corporate or international bond issuers.

**Rate of Return**

For the year ended December 31, 2016, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 5.53% and (0.27)% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**D. Deferred Retirement Option Program (DROP)**

An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than five years. Monthly pension shall be calculated as of the date of participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement.

As of December 31, 2016, there was one participant in the DROP program, and the balance held by the Plan for the DROP program was \$135,488.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township**

The components of the net pension liabilities of the Township at December 31, 2016, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 8,129,436	\$ 2,413,956
Plan Fiduciary Net Position	<u>(7,067,012)</u>	<u>(1,895,528)</u>
Township's Net Pension Liability	<u>\$ 1,062,424</u>	<u>\$ 518,428</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.90%	78.50%

**Actuarial Assumptions**

The total pension liability for the Plans were determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all period included in the measurement.

	<u>Police Per Year</u>	<u>Non-Uniform Per Year</u>
Salary Increases	4.5%	Age-related scale with merit and inflation component
Investment Rate of Return	7%	5.5%
Inflation	3%	3%

See Schedule of Township Contributions on pages 66 and 67 for details on mortality rates assumptions.

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township**

The actuarial assumptions used in the December 31, 2016, Police Plan valuation were based on the results of an actuarial experience study for the two-year period ended January 1, 2015.

The actuarial assumptions used in the December 31, 2016, Non-Uniform Plan valuation were based on the results of an actuarial experience study for the period covering January 1, 2009 through December 31, 2013. These assumptions have been changed for the current measurement.

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

The net pension liability for the Non-Uniform Plan was measured as of December 31, 2015. Because the beginning and end of year total pension liability are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported in 2016. The beginning of the year total pension liability is based upon the January 1, 2015, actuarial valuation, with liabilities measured at December 31, 2014. The end of year total pension liability is based upon the January 1, 2015, actuarial valuation with liabilities measured at December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Police Long-Term Expected Real Rate of Return, Per Year</u>	<u>Non-Uniform Long-Term Expected Real Rate of Return, Per Year</u>
Domestic Equity	5.5-7.5%	6.8-6.9%
Fixed Income	1.0-3.0%	2.4%
International Equity	4.5-6.5%	4.0-7.6%
Real Estate	4.5-6.5%	7.1%
Cash	0.0-1.0%	0.0%

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township (Continued)**

**Changes in the Net Pension Liability**

Changes in the net pension liability for the year ended December 31, 2016, are as follows:

	Police Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2015	\$ 7,475,890	\$ 6,499,462	\$ 976,428
Changes for the Year			
Service Cost	180,139	0	180,139
Interest	600,893	0	600,893
Difference Between Expected and Actual Experience	0	0	0
Contributions - Employer	0	282,362	(282,362)
Contributions - Employee	0	53,877	(53,877)
Net Investment Income	0	364,111	(364,111)
Benefit Payments	(127,486)	(127,486)	0
Administrative Expense	0	(5,314)	5,314
Net Changes	653,546	567,550	85,996
Balances At December 31, 2016	<u>\$ 8,129,436</u>	<u>\$ 7,067,012</u>	<u>\$ 1,062,424</u>

	Non-Uniform Pension Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2015	\$ 2,209,741	\$ 1,868,136	\$ 341,605
Adjustment	(27)	0	(27)
Changes for the Year			
Service Cost	102,314	0	102,314
Interest	126,627	0	126,627
Changes in Assumptions	(12,619)	0	(12,619)
Contributions - Employer		111,485	(111,485)
Contributions - Employee		7,421	(7,421)
Net Investment Income		107,084	(107,084)
Market Value Investment Income		(181,614)	181,614
Benefit Payments	(12,080)	(12,080)	0
Administrative Expense		(4,904)	4,904
Net Changes	204,215	27,392	176,823
Balances At December 31, 2016	<u>\$ 2,413,956</u>	<u>\$ 1,895,528</u>	<u>\$ 518,428</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0% for the Police Plan and 5.50% for the Non-Uniform Plan. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended December 31, 2016, the Township recognized pension expense of \$562,426. At December 31, 2016, the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ (163,594)
Changes of Assumptions	0	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	530,862	0
	\$ 530,862	\$ (163,594)

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

For the Year Ended	Amount
2017	\$ 129,524
2018	129,524
2019	129,524
2020	(21,304)
	\$ 367,268

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township (Continued)**

**Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions**  
(Continued)

	Non-Uniform	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 68,899	\$ (25)
Changes of Assumptions	0	(11,472)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	146,332	0
	\$ 215,231	\$ (11,497)

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

For the Year Ended	Amount
2017	\$ 43,176
2018	43,176
2019	43,176
2020	42,828
2021	6,506
Thereafter	24,872
	\$ 203,734



**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Notes to Financial Statements  
December 31, 2016**

**10. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township (Continued)**

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

The following presents the net pension liabilities of the Township, calculated using the discount rate of 7.0% (Police Plan) and 5.5% (Non-Uniform Plan), as well as what the Township's net pension liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Police Pension Liability	\$1,796,728	\$1,062,424	\$468,660
	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Non-Uniform Pension Liability	\$884,095	\$518,428	\$207,469

**11. Other Post-Employment Benefits**

In accordance with the Police Labor Contract, effective January 1, 2009, the Township adopted a defined contribution plan to contribute to a post-employment health plan on behalf of each eligible employee. The contribution amounts are prescribed by the labor contract. For the year ended December 31, 2016, the Township was required to contribute \$1,000 per employee. This amount is prorated for a new employee. The amount contributed for 2016 totaled \$16,000. Employees are not required to contribute to the plan. The plan does not issue a standalone report.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2016**

**12. Risk Management**

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

**a. Health Care Coverage**

The Township participates in the Delaware Valley Health Trust (DVHT). DVHT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

**b. Workers' Compensation Coverage**

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees.

**c. Insurance Coverage**

The Township participates in the Delaware Valley Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

**13. Contingencies**

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the Township, management feels that any settlement or judgment not covered by insurance would not materially affect the financial condition of the Township.

**14. Subsequent Events**

Management has evaluated subsequent events through April 10, 2017, the date which the financial statements were available to be issued.

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Required Supplementary Information**  
**Schedule of Changes in the Township's Net Pension Liability and Related Ratios**  
**Police Pension Plan**  
**December 31, 2016**  
**(Unaudited)**

	2016	2015	2014
<b>Total Pension Liability</b>			
Service Cost	\$ 180,139	\$ 172,382	\$ 163,750
Interest	600,893	497,205	476,008
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual Experience	0	(245,390)	0
Changes of Assumptions	0	0	0
Benefit Payments (Including Refunds of Member Contributions)	(127,486)	(183,156)	(82,547)
<b>Net Change in Total Pension Liability</b>	653,546	241,041	557,211
<b>Total Pension Liability</b>			
Beginning of Year	7,475,890	7,234,849	6,667,638
End of Year	\$ 8,129,436	\$ 7,475,890	\$ 7,234,849
<b>Plan Fiduciary Net Position</b>			
Contributions			
Employer	\$ 282,362	\$ 282,944	\$ 284,061
Member	53,877	54,941	54,537
Net Investment Income (Loss)	364,111	(284,346)	302,996
Benefit Payments (Including Refunds of Member Contributions)	(127,486)	(183,156)	(82,547)
Administrative Expense	(5,314)	(9,804)	(55,107)
<b>Net Change in Plan Fiduciary Net Position</b>	567,550	(139,421)	503,940
<b>Plan Fiduciary Net Position</b>			
Beginning of Year	6,499,462	6,638,883	6,134,943
End of Year	\$ 7,067,012	\$ 6,499,462	\$ 6,638,883
<b>Township's Ending Net Pension Liability</b>	\$ 1,062,424	\$ 976,428	\$ 595,966
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.9%	86.9%	91.8%
Covered Employee Payroll	\$ 1,649,834	\$ 1,530,052	\$ 1,418,564
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	64.4%	63.8%	42.0%

Change in benefit terms: None since January 1, 2015

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

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Required Supplementary Information**  
**Schedule of Changes in the Township's Net Pension Liability and Related Ratios**  
**Non-Uniform Pension Plan**  
**December 31, 2016**  
**(Unaudited)**

	2016	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 102,314	\$ 96,125
Interest	126,627	112,809
Differences Between Expected and Actual Experience	(27)	84,209
Changes of Assumptions	(12,619)	0
Benefit Payments (Including Refunds of Member Contributions)	(12,080)	(82,851)
<b>Net Change in Total Pension Liability</b>	204,215	210,292
 <b>Total Pension Liability</b>		
Beginning of Year	2,209,741	1,999,449
End of Year	\$ 2,413,956	\$ 2,209,741
 <b>Plan Fiduciary Net Position</b>		
Contributions		
Employer	111,485	87,947
Member	7,421	7,163
PMRS Investment Income	107,084	96,101
Market Value Investment Loss	(181,614)	(1,735)
Benefit Payments (Including Refunds of Member Contributions)	(12,080)	(82,851)
Administrative Expense	(4,904)	(4,126)
<b>Net Change in Plan Fiduciary Net Position</b>	27,392	102,499
 Plan Fiduciary Net Position		
Beginning of Year	1,868,136	1,765,637
End of Year	\$ 1,895,528	\$ 1,868,136
 <b>Township's Ending Net Pension Liability</b>	\$ 518,428	\$ 341,605
 Plan Fiduciary Net Position As a Percentage of the Total Pension Liability		
Covered Employee Payroll	\$ 948,417	\$ 887,810
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	54.66%	38.48%

Change in benefit terms: None

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

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Required Supplementary Information  
Schedule of Township Contributions  
Police Pension Plan  
December 31, 2016  
(Unaudited)**

Year	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2009	\$168,809	\$168,809	\$0		
2010	\$275,699	\$275,699	\$0		
2011	\$295,592	\$295,592	\$0		
2012	\$310,044	\$310,044	\$0		
2013	\$307,681	\$307,681	\$0		
2014	\$284,681	\$284,681	\$0	\$1,418,564	20.07%
2015	\$282,944	\$282,944	\$0	\$1,530,052	18.49%
2016	\$282,362	\$282,362	\$0	\$1,649,834	17.11%

**Notes to Schedule:**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	5 years
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	4.5% per year
Investment Rate of return	7.0%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Required Supplementary Information  
Schedule of Township Contributions  
Non-Uniform Pension Plan  
December 31, 2016  
(Unaudited)**

	2016	2015
Actuarially Determined Contribution	\$111,465	\$87,927
Contributions in Relation to the Actuarially Determined Contribution	\$111,485	\$87,947
Contribution Deficiency (Excess)	\$(20)	\$(20)
Covered Employee Payroll	\$948,417	\$887,810
Contributions As a Percentage of Covered Employee Payroll	11.75%	9.91%

**Notes to Schedule:**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	13 years
Asset Valuation Method	Based Upon Municipal Reserves
Inflation	3.0%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of return	5.5%
Retirement Age	Normal Retirement Age
Pre-Retirement Mortality	Males - RP2000 Table with 1 year set back, Females – RP2000 Table with 5 year set back
Post-Retirement Mortality	Sex distinct RP2000 Combined Healthy Mortality

**PLUMSTEAD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Required Supplementary Information  
Schedule of Investment Returns  
December 31, 2016  
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense		
2016	5.53%	(0.27)%
2015	(4.16)%	5.20%
2014	7.16%	7.28%

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2016**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,138,267	\$ 4,412,186	\$ 273,919
Intergovernmental	358,832	404,580	45,748
Charges for Services	296,350	309,731	13,381
Fines, Licenses and Permits	327,000	344,215	17,215
Interest Income and Rents	87,270	100,882	13,612
Miscellaneous Revenues	16,501	189,699	173,198
Total Revenues	5,224,220	5,761,293	537,073
Expenditures			
General Government	879,946	820,090	59,856
Public Safety	3,286,327	3,282,794	3,533
Public Works	1,042,240	917,885	124,355
Parks and Recreation	545,789	409,575	136,214
Debt Service - Principal	23,090	21,283	1,807
Debt Service - Interest	554	870	(316)
Capital Expenditures	269,200	257,091	12,109
Miscellaneous Governmental	139,698	139,659	39
Total Expenditures	6,186,844	5,849,247	337,597
Excess (Deficiency) of Revenues Over Over Expenditures	(962,624)	(87,954)	874,670
Other Financing Sources (Uses)			
Operating Transfers In (Out)	(170,278)	(170,278)	0
Net Change in Fund Balances	(1,132,902)	(258,232)	874,670
Fund Balances			
Beginning of Year	1,132,902	3,549,741	2,416,839
End of Year	\$ 0	\$ 3,291,509	\$ 3,291,509

See Notes to Schedules of Budget to Actual Comparisons.



**PLUMSTEAD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Schedules of Budget to Actual Comparisons**  
**December 31, 2016**

**1. Basis of Presentation**

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2016 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

**PLUMSTEAD TOWNSHIP  
BUCKS COUNTY, PA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

	<u>Local Services Tax Fund</u>	<u>Emergency Services Fund</u>	<u>Park and Recreation Fund</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 93,474	\$ 5,344	\$ 53,860
Taxes Receivable	77,000	7,641	0
Other Receivables	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets</b>	<b><u><u>\$ 170,474</u></u></b>	<b><u><u>\$ 12,985</u></u></b>	<b><u><u>\$ 53,860</u></u></b>
 <b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts Payable and Accrued Expenses	<u>\$ 20,830</u>	<u>\$ 3,959</u>	<u>\$ 0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>16,784</u>	<u>6,837</u>	<u>0</u>
Fund Balances			
Restricted	0	2,189	0
Committed	<u>132,860</u>	<u>0</u>	<u>53,860</u>
Total Fund Balances	<u>132,860</u>	<u>2,189</u>	<u>53,860</u>
<b>Total Liabilities and Fund Balances</b>	<b><u><u>\$ 170,474</u></u></b>	<b><u><u>\$ 12,985</u></u></b>	<b><u><u>\$ 53,860</u></u></b>

<u>Open Space Fund</u>	<u>State Highway Aid Fund</u>	<u>Flood Mitigation Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 264,297	\$ 162,703	\$ 149,599	\$ 729,277
965	0	0	85,606
<u>0</u>	<u>1,314</u>	<u>0</u>	<u>1,314</u>
<u><u>\$ 265,262</u></u>	<u><u>\$ 164,017</u></u>	<u><u>\$ 149,599</u></u>	<u><u>\$ 816,197</u></u>
<u>\$ 660</u>	<u>\$ 8,934</u>	<u>\$ 0</u>	<u>\$ 34,383</u>
<u>865</u>	<u>0</u>	<u>0</u>	<u>24,486</u>
263,737	155,083	149,599	570,608
<u>0</u>	<u>0</u>	<u>0</u>	<u>186,720</u>
<u>263,737</u>	<u>155,083</u>	<u>149,599</u>	<u>757,328</u>
<u><u>\$ 265,262</u></u>	<u><u>\$ 164,017</u></u>	<u><u>\$ 149,599</u></u>	<u><u>\$ 816,197</u></u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

	<u>Local Services Tax Fund</u>	<u>Emergency Services Fund</u>	<u>Park and Recreation Fund</u>
<b>Revenues</b>			
Taxes	\$ 294,731	\$ 318,040	\$ 0
Intergovernmental	0	0	0
Interest Income and Rents	266	55	109
Miscellaneous Revenues	5,200	0	364
Total Revenues	<u>300,197</u>	<u>318,095</u>	<u>473</u>
<b>Expenditures</b>			
General Government	5,116	0	0
Public Safety	0	318,964	0
Public Works	247,046	0	0
Conservation and Development	0	0	0
Debt Service - Principal	15,478	0	0
Debt Service - Interest	3,709	0	0
Capital Expenditures	71,881	0	0
Total Expenditures	<u>343,230</u>	<u>318,964</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(43,033)</u>	<u>(869)</u>	<u>473</u>
Net Change in Fund Balances	(43,033)	(869)	473
<b>Fund Balances</b>			
Beginning of Year	<u>175,893</u>	<u>3,058</u>	<u>53,387</u>
End of Year	<u>\$ 132,860</u>	<u>\$ 2,189</u>	<u>\$ 53,860</u>

Open Space Fund	State Highway Aid Fund	Flood Mitigation Grant Fund	Total Nonmajor Governmental Funds
\$ 39,859	\$ 0	\$ 0	\$ 652,630
0	427,968	151,775	579,743
665	585	119	1,799
0	0	0	5,564
<u>40,524</u>	<u>428,553</u>	<u>151,894</u>	<u>1,239,736</u>
0	0	0	5,116
0	0	0	318,964
0	350,512	2,295	599,853
23,744	0		23,744
0	21,785	0	37,263
0	748	0	4,457
0	0	0	71,881
<u>23,744</u>	<u>373,045</u>	<u>2,295</u>	<u>1,061,278</u>
<u>16,780</u>	<u>55,508</u>	<u>149,599</u>	<u>178,458</u>
16,780	55,508	149,599	178,458
<u>246,957</u>	<u>99,575</u>	<u>0</u>	<u>578,870</u>
<u>\$ 263,737</u>	<u>\$ 155,083</u>	<u>\$ 149,599</u>	<u>\$ 757,328</u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Combining Schedule of Fiduciary Net Position**  
**December 31, 2016**

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 195,132	\$ 0	\$ 195,132
Investments	6,854,126	2,107,971	8,962,097
Contributions Receivable	2,056	0	2,056
Accrued Interest Receivable	<u>17,754</u>	<u>0</u>	<u>17,754</u>
<b>Total Assets</b>	7,069,068	2,107,971	9,177,039
<b>Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>			
Held in Trust for Pension Benefits	<u><u>\$ 7,069,068</u></u>	<u><u>\$ 2,107,971</u></u>	<u><u>\$ 9,177,039</u></u>

**PLUMSTEAD TOWNSHIP**  
**BUCKS COUNTY, PA**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2016**

	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Pension Trust Funds</u>
Additions			
Contributions			
Plan Members	\$ 55,858	\$ 9,582	\$ 65,440
State	122,840	74,019	196,859
Employer	159,872	41,514	201,386
Total Contributions	<u>338,570</u>	<u>125,115</u>	<u>463,685</u>
Investment Earnings			
Net Appreciation in Fair Value of Investments	247,801	0	247,801
Dividends	169,537	107,153	276,690
	<u>417,338</u>	<u>107,153</u>	<u>524,491</u>
Less Investment Expense	(56,959)	0	(56,959)
Total Net Investment Earnings	<u>360,379</u>	<u>107,153</u>	<u>467,532</u>
Total Additions	<u>698,949</u>	<u>232,268</u>	<u>931,217</u>
Deductions			
Benefits	127,486	109,551	237,037
Administrative Expense	3,225	1,066	4,291
Total Deductions	<u>130,711</u>	<u>110,617</u>	<u>241,328</u>
Change in Net Position	568,238	121,651	689,889
Net Position, Held in Trust			
Beginning of Year	<u>6,500,830</u>	<u>1,986,320</u>	<u>8,487,150</u>
End of Year	<u>\$ 7,069,068</u>	<u>\$ 2,107,971</u>	<u>\$ 9,177,039</u>