

TOWNSHIP OF DOYLESTOWN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2016

TOWNSHIP OF DOYLESTOWN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
TOWNSHIP OF DOYLESTOWN
Doylestown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF DOYLESTOWN, Pennsylvania (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF DOYLESTOWN, 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, budgetary comparison information, and the pension and other post employment benefit information on pages 4 through 13 and pages 55 through 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

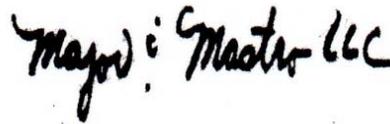
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TOWNSHIP OF DOYLESTOWN, Pennsylvania's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 29, 2017

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, slightly slanted style.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

FOR YEAR ENDED DECEMBER 31, 2016

The management of Doylestown Township is pleased to present this narrative overview and analysis of the financial activities of Doylestown Township for the fiscal year ended December 31, 2016.

Doylestown Township is a Township of the Second Class under Pennsylvania law. The governing body of the Township is the Board of Supervisors comprised of five (5) members, who are elected at large and serve six (6) year staggered terms. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various boards and commissions.

Financial Highlights

- The net position of Doylestown Township exceeded its liabilities at the close of the most recent fiscal year by \$25,535,682 for 2016 and \$23,583,838 for 2015 (*net position*). Of this amount \$3,606,098 and \$3,135,081 for 2016 and 2015, respectively (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- \$20,870,409 and \$19,514,278 for 2016 and 2015, respectively is net investment in capital assets, \$9,509 and \$14,124 is restricted for public safety, \$439,484 and \$400,505 is restricted for culture and recreation, \$461,651 and \$274,175 is restricted for Highways and Streets, and \$148,531 and \$245,675 is restricted for debt service for 2016 and 2015, respectively.
- As of the close of the current fiscal year, Doylestown Township's governmental funds reported combined ending fund balances of \$7,052,988 and \$6,241,899 for 2016 and 2015, respectively.
- At the end of the current fiscal year, unassigned fund balance for general fund was \$4,378,712 or 56% of total general fund expenditures; in 2015 this amount was \$3,752,917 or 47%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Doylestown Township. The financial statements are comprised of four components:

- **Government-wide financial statements**, which provide both long-term and short-term information about the Township's overall financial condition.
- **Fund financial statements**, which provide a detailed look at major individual portions, or funds, of the Township.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

- **Notes to the financial statements**, which explain some of the information contained in the financial statements and provide detailed data.
- **Other supplementary information**, which further explains and supports the information in the financial statements, is also included.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Doylestown Township's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all Township assets and liabilities, with differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Doylestown Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Doylestown Township include general government, public safety, highways and streets, economic development and culture and recreation.

The government-wide financial statements include Doylestown Township itself (known as the *primary government*) and Doylestown Township Municipal Authority, a Component Unit, for which Doylestown Township is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government. Separate financial statements for the component unit are available from the Township upon request.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Doylestown Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Doylestown Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Doylestown Township maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and capital reserve fund, both of which are considered to be major funds.

General Fund

The General Fund is the general operating fund of the Township. All activities of the Township are accounted for through this fund, except for those required to be accounted for in another fund.

Capital Reserve Fund

The Capital Reserve Fund accounts for capital improvements of the Township.

Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Doylestown Township adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among functions. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Doylestown Township's programs. The fiduciary funds are presented using the accrual method of accounting.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Doylestown Township's pension liability and benefits to its employees and progress in funding its obligation to provide other post-employment benefits.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Other Supplementary Information. The combining statements referred to earlier in connection with non-major governmental funds and pension trust funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Doylestown Township's assets exceeded liabilities by \$25,535,682 and \$23,583,838 (as adjusted) for 2016 and 2015, respectively at the close of the year.

By far the largest portion of Doylestown Township's net position (82% and 83% for 2016 and 2015, respectively) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. Doylestown Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Doylestown Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to re-pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Township of Doylestown – Net Position
December 31,**

	Governmental Activities		Component Unit	
	2016	2015	2016	2015
Current & other assets	\$ 10,001,926	\$ 9,325,749	\$ 7,463,034	\$ 7,177,079
Capital assets	21,443,287	20,759,405	8,748,263	8,980,345
Total assets	<u>\$ 31,445,213</u>	<u>\$ 30,085,154</u>	<u>\$ 16,211,297</u>	<u>\$ 16,157,424</u>
Deferred Outflows of Resources	<u>\$ 1,457,714</u>	<u>\$ 1,573,007</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term liabilities				
outstanding	\$ 6,063,854	\$ 6,171,771	\$ 0	\$ 44,922
Other liabilities	1,031,546	1,559,856	322,171	402,832
Total liabilities	<u>\$ 7,095,400</u>	<u>\$ 7,731,627</u>	<u>\$ 322,171</u>	<u>\$ 447,754</u>
Deferred Inflows of Resources	<u>\$ 271,845</u>	<u>\$ 342,696</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Net investment in				
capital assets	\$ 20,870,409	\$ 19,514,278	\$ 8,703,341	\$ 8,854,152
Restricted	1,059,175	934,479	5,382,112	5,553,219
Unrestricted	3,606,098	3,135,081	1,803,673	1,302,299
Total net position	<u>\$ 25,535,682</u>	<u>\$ 23,583,838</u>	<u>\$ 15,889,126</u>	<u>\$ 15,709,670</u>

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

An additional portion of Doylestown Township’s net position (\$1,059,175 and \$934,479 for 2016 and 2015, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balances of *unrestricted net position* (\$3,606,098 and \$3,135,081 for 2016 and 2015, respectively) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Doylestown Township is able to report a positive balance in the category of *net position* for the government as a whole. The same situation held true for the prior fiscal year.

Governmental Activities: Governmental activities increased Doylestown Township’s net position by \$1,951,844 for 2016 and increased by \$551,603 for 2015. Key elements of this increase are:

**Township of Doylestown – Changes in Net Position
For the years ended December 31,**

	Governmental Activities		Component Unit	
	2016	2015	2016	2015
Revenues:				
Program Revenues:				
Charges for services	\$ 2,288,358	\$ 2,004,012	\$ 2,078,930	\$ 2,037,162
Operating grants and contributions	1,574,079	1,364,986		
Capital grants and contributions	487,480	10,000	-	-
General Revenues:				
Property taxes	2,900,218	2,714,437		
Earned income and other taxes	5,540,686	5,120,122		
Investment earnings	44,956	14,385	20,102	14,493
Gain (loss) on sale of capital assets	58,577	41,479		15,360
Other	71,452	47,260	162,878	204,160
Total Revenues	<u>12,965,806</u>	<u>11,316,681</u>	<u>2,261,910</u>	<u>2,271,175</u>
Expenses:				
General Government	1,452,496	1,267,990		
Public Safety	3,327,433	3,563,669		
Public Works	2,256,528	2,020,295		
Culture and Recreation	939,406	958,913		
Benefits and Insurance	3,025,228	2,932,584		
Interest on long-term debt	12,871	21,627		
Component Unit - Doylestown				
Township Municipal Authority			2,082,454	2,190,051
Total Expenses	<u>11,013,962</u>	<u>10,765,078</u>	<u>2,082,454</u>	<u>2,190,051</u>
Change in Net Position	1,951,844	551,603	179,456	81,124
Net Position at beginning of year	23,583,838	23,032,235	15,709,670	15,628,546
Net Position at end of year	<u>\$ 25,535,682</u>	<u>\$ 23,583,838</u>	<u>\$ 15,889,126</u>	<u>\$ 15,709,670</u>

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Complete financial statements of the Component Unit may be obtained at the Township.

The government's capital assets are recorded at actual historical cost or estimated historical cost as determined by independent professional appraisers.

Financial Analysis of the Government's Funds

Doylestown Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Township has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Governmental Funds. The focus of Doylestown Township's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Doylestown Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The modified accrual basis of accounting is used for all governmental fund types. Revenues are recorded when susceptible to accrual, both measurable and available, and expenditures are recorded when the fund liabilities are incurred, except for interest on long-term debt, which is recorded when due for payment. Financial statements for the pension trust funds are maintained on the accrual basis, with revenue recognized when earned and expenses recorded when incurred.

At the end of the current fiscal year, Doylestown Township's governmental funds reported combined ending fund balances of \$7,052,988 and \$6,241,899 for 2016 and 2015, respectively. \$4,378,712 and \$3,752,917 for 2016 and 2015, respectively constitutes *unassigned fund balance*, which is available for spending at the government's discretion. *Nonspendable fund balance* of \$158,860 and \$163,258 for 2016 and 2015 respectively, represents amounts that are not in spendable form. Fund balance of \$1,470,963 and \$1,391,245 has been *assigned* for capital projects. The remainder of fund balance of \$1,044,453 and \$934,479 for 2016 and 2015 respectively is *restricted* to indicate that it is not available for new spending because it has already been committed to pay for debt service, public safety, culture and recreation, and highway and street expenditures.

General Fund

The *General Fund* is the chief operating fund of Doylestown Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,378,712 and at the end of 2015 this number was \$3,752,917. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56% and 47% for 2016 and 2015, respectively of total

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

general fund expenditures, while total fund balance represents 60% and 51% for 2016 and 2015, respectively of total expenditures.

The fund balance of the General Fund increased by \$621,397 during the current fiscal year and increased \$131,820 for 2015. Key factors in this 2016 increase were decreases in public safety , capital outlay, benefits and insurance, increases in public works, general government and charges for services.

General Fund Budgetary Highlights

General Fund actual revenues exceeded final budgeted revenues for 2016 by \$272,709 or approximately 3%. Earned income taxes exceeded budget by .3%, local services tax exceeded budget by 1.4%, transfer taxes exceeded budget by 8.9%, charges for services exceeded budget by 64.6%, while real estate taxes were short by .6%.

Differences between the final budgeted expenditures and actual expenditures resulted in a positive variance of \$318,802 or approximately 4%. The variance in excess of expenditures under revenues amounted to \$591,511.

Overall greater revenues than originally expected due to the following: larger revenues from intergovernmental revenues, earned income taxes, transfer taxes, local services tax, building permits and cable franchise fees.

Expenditures increased in the General Government, for 2016. This was due to, tax collection, auditing, legislation over the previous year. Additionally, employer paid taxes and worker compensation were up from the previous year, while legal and insurances were down.

Other factors that affect the General Fund budget are in the category Other Financing Sources. Operating transfers, Sale of Capital Assets and Prior Year Expenditures are accounts not relative to budgeted operating expense.

Non-major Funds

The *Non-major Governmental Funds* are shown on the Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, in the Supplementary Information. These funds are the debt service fund, special revenue funds, and the capital projects funds. The year-end fund balance of the non-major funds total \$1,988,159 and \$1,631,279 for 2016 and 2015, respectively.

Five of the non-major funds are supported by real estate tax millage: Fire Protection (1.25), Ambulance Fund (.375), Park and Recreation (.75), and Debt Service (1.75), Roads and Bridges (1.00).

Fire Fund: The Township receives real estate tax revenues that are deposited into the *Fire Fund* and then transferred to the pertained Fire Companies. The funds are used for fire apparatus,

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

housing for the apparatus, training of personnel and all associated expenses. Under Pennsylvania law the funds are restricted to fire protection purposes and cannot be used for any other function.

Ambulance Fund: The Township receives real estate tax revenues that are deposited into the *Ambulance Fund* and then transferred to the Ambulance service.

Roads and Bridges Fund: The Township levies a 1.00 mill real estate tax to fund road and bridges capital projects.

Park and Recreation Fund: The Township levies a .75 mill real estate tax to support functions paid from the *Parks and Recreation Fund*. The Township owns 740 acres of open space of which 383 acres is developed parkland.

The budget for this fund separates recreation administration from parks administration. Doylestown Township offers recreation programs to the public that are self-sufficient. This means that user fees pay the cost of recreation program services.

State Liquid Fuels Fund: The Commonwealth of Pennsylvania finances the State Liquid Fuels Fund through the Liquid Fuels Tax program. Funds are allocated to Doylestown Township in March of each year. Use of the revenue is restricted to expenditures relating to the payroll needs of the road department and patching supplies. A portion of the funds may also be used for the purchase of road machinery and equipment.

Proprietary Fund

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Doylestown Township functions. Doylestown Township uses internal service funds to account for its water charges.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Component Unit - Doylestown Township Municipal Authority is an enterprise fund used to account for its water operation.

Capital Asset and Debt Administration

Capital Assets: Doylestown Township's investment in capital assets for governmental activities as of December 31, 2016 amounts to \$21,443,287 and \$20,759,405 for 2015 (net of accumulated depreciation). This investment in capital assets includes construction in progress and land, which are not depreciated. Depreciable assets include land improvements, infrastructure, buildings and building improvements, and machinery and equipment. Capital asset additions during the year consisted of vehicles, road & bridge improvements, public works equipment, police radios, police equipment, parks and recreation, trail improvements, and storm water.

The Component Unit's investment in capital assets as of December 31, 2016 amounts to \$8,748,263 and \$8,980,345 for 2015. This amount includes land, land improvements, buildings, plant, systems and equipment, infrastructure, and vehicles. Capital asset additions during the year consisted mainly of vehicles, equipment and infrastructure.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Additional information on Doylestown Township’s capital assets can be found in the footnotes.

**Township of Doylestown - Capital Assets (net of depreciation)
December 31,**

	Governmental Activities		Component Unit	
	2016	2015	2016	2015
Construction in Progress	\$ 132,852	\$	\$ 37,535	\$ 37,535
Land	3,750,000	3,750,000	144,586	144,586
Land improvements	244,959	265,540	11,121	11,785
Buildings and improvements	1,036,310	1,086,560	770,142	822,680
Infrastructure	14,373,477	13,928,879	7,403,235	7,565,295
Machinery and equipment	1,905,689	1,728,426	381,644	398,464
	<u>\$ 21,443,287</u>	<u>\$ 20,759,405</u>	<u>\$ 8,748,263</u>	<u>\$ 8,980,345</u>

Long-term debt: At year-end, the Township had total long-term debt outstanding of \$572,878 and \$1,245,127 for 2016 and 2015, respectively. Additional information on Doylestown Township’s long-term debt can be found in the footnotes.

**Township of Doylestown - Outstanding Debt
December 31,**

	Governmental Activities	
	2016	2015
General obligation bonds and notes	\$ 353,255	\$ 1,023,695
Capital lease obligations	219,623	221,432
	<u>\$ 572,878</u>	<u>\$ 1,245,127</u>

Economic Factors and the 2017 Budgets

Heading into 2017 the national economy continues with moderate growth, projected to be at 2.14%, low inflation, steady job growth, low unemployment and low interest rates, economic conditions continue to remain stable in Doylestown Township. Earned income tax receipts, the primary source of income for the General Fund, increased over 2015 revenue by \$62,839 due to strong fourth quarter 2016 receipts. Local Services Taxes slightly decreased over 2015 revenue by \$19,056. Real estate transfer tax was very strong due to a robust housing market increased over 2015 revenue by \$206,847. Charges for services revenue increased over 2015 revenue by \$156,077 due to stronger than expected building permit fees.

TOWNSHIP OF DOYLESTOWN

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

In establishing the 2017 budget, historical trends and vendor inquiries, department head budgets and forecasting were used as the basis for estimating the cost of goods and services to be purchased in the New Year. Capital expenditures again were the main topic for 2017 with funds being allocated for an expanded road program, bike and hike projects. Appropriated funds were set aside for storm water management mandates. Public works and the Police department submitted budgets to purchase additional vehicles. In addition, the Township embarked on a new building and bridge project by floating a bond for \$10 million. The Township's bond rating was raised from Aa2 to Aa1 due to its strong financial condition. The 2017 budget provides the necessary resources for the Township organization to achieve the goals and priorities established by The Board of Supervisors. It maintains accustomed service levels and represents an accurate estimate in dollar terms of the Township's commitment to deliver quality municipal services to Township residents.

Request for information

The financial report is designed to provide a general overview of the Township's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, address Doylestown Township, 425 Wells Road, Doylestown, PA 18901.

TOWNSHIP OF DOYLESTOWN

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Doylestown Township Municipal Authority
ASSETS		
Current assets:		
Cash	\$ 5,490,759	\$ 1,483,852
Receivables		
Taxes	3,297,878	
Accounts	1,009,507	504,455
Notes receivable		8,000
Note receivable from component unit	44,922	
Prepaid expenses	158,860	21,974
Restricted assets		
Cash		5,444,753
Total current assets	<u>10,001,926</u>	<u>7,463,034</u>
Noncurrent assets:		
Capital assets:		
Construction in progress	132,852	37,535
Land	3,750,000	144,586
Land improvements	4,286,743	28,012
Buildings and improvements	2,057,154	1,866,096
Infrastructure	29,378,965	16,633,626
Machinery and equipment	4,305,330	2,047,042
Accumulated depreciation	<u>(22,467,757)</u>	<u>(12,008,634)</u>
Total noncurrent assets	<u>21,443,287</u>	<u>8,748,263</u>
TOTAL ASSETS	<u>31,445,213</u>	<u>16,211,297</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	1,457,169	
Deferred charge on refunding	545	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,457,714</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	322,028	89,134
Payroll withholdings	21,615	
Accrued payroll	177,056	
Note payable to primary government		44,922
Escrow deposits		188,101
Accrued interest		14
Other liabilities	9,774	
Portion due or payable within one year		
General obligation bonds and notes	341,887	
Capital lease obligations	<u>159,186</u>	
Total current liabilities	<u>1,031,546</u>	<u>322,171</u>
Long-term liabilities:		
Portion due or payable after one year		
General obligation bonds and notes	11,368	
Other post employment benefits	521,462	
Net pension liability	4,398,260	
Capital lease obligations payable in future years	60,437	
Compensated absences	<u>1,072,327</u>	
Total long-term liabilities	<u>6,063,854</u>	<u>-</u>
TOTAL LIABILITIES	<u>7,095,400</u>	<u>322,171</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	<u>271,845</u>	
NET POSITION		
Net investment in capital assets	20,870,409	8,703,341
Restricted for		
Public safety	9,509	
Culture and recreation	439,484	
Highways and streets	461,651	
Debt service	148,531	21,323
Capital improvements		5,360,789
Unrestricted	<u>3,606,098</u>	<u>1,803,673</u>
TOTAL NET POSITION	<u>\$ 25,535,682</u>	<u>\$ 15,889,126</u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
GOVERNMENTAL ACTIVITIES						
General government	\$ 1,452,496	\$ 883,927	\$ 424,028	\$	\$ (144,541)	\$
Public safety	3,327,433	541,703	170,270		(2,615,460)	
Public works	2,256,528	524,215	671,618		(1,060,695)	
Culture and recreation	939,406	338,513	308,163	487,480	194,750	
Benefits and insurance	3,025,228				(3,025,228)	
Interest on long-term debt	12,871				(12,871)	
TOTAL GOVERNMENTAL ACTIVITIES	<u>11,013,962</u>	<u>2,288,358</u>	<u>1,574,079</u>	<u>487,480</u>	<u>(6,664,045)</u>	
COMPONENT UNIT						
Doylestown Township Municipal Authority	2,082,454	2,078,930		-		(3,524)
	<u>\$ 13,096,416</u>	<u>\$ 4,367,288</u>	<u>\$ 1,574,079</u>	<u>\$ 487,480</u>		
GENERAL REVENUES						
Property taxes, levied for general purposes					2,900,218	
Transfer taxes					700,223	
Earned income and local services tax					4,831,708	
Other taxes					8,755	
Investment earnings					44,956	20,102
Gain on sale of assets					58,577	
Miscellaneous revenue					71,452	162,878
TOTAL GENERAL REVENUES					<u>8,615,889</u>	<u>182,980</u>
CHANGE IN NET POSITION					1,951,844	179,456
NET POSITION AT BEGINNING OF YEAR					<u>23,583,838</u>	<u>15,709,670</u>
NET POSITION AT END OF YEAR					<u>\$ 25,535,682</u>	<u>\$ 15,889,126</u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,386,316	\$ 351,843	\$ 1,725,250	\$ 5,463,409
Taxes receivable	3,293,401		4,477	3,297,878
Other receivables	468,713	188,097	352,697	1,009,507
Interfund receivable			1,373	1,373
Prepaid expenses	158,860			158,860
TOTAL ASSETS	\$ 7,307,290	\$ 539,940	\$ 2,083,797	\$ 9,931,027
LIABILITIES				
Accounts payable	\$ 226,839	\$ 12,683	\$ 82,506	\$ 322,028
Payroll liabilities	16,646		2,424	19,070
Accrued payroll	146,651		10,553	157,204
Interfund payable	3,776			3,776
Other liabilities	9,619		155	9,774
TOTAL LIABILITIES	403,531	12,683	95,638	511,852
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - earned income taxes	2,321,101			2,321,101
Unavailable revenue - real estate taxes	45,086			45,086
TOTAL DEFERRED INFLOWS OF RESOURCES	2,366,187	-	-	2,366,187
FUND BALANCES				
Nonspendable:				
Prepaid items	158,860			158,860
Restricted for:				
Public safety			9,509	9,509
Culture and recreation			439,484	439,484
Highways and streets			446,929	446,929
Debt service			148,531	148,531
Assigned to:				
Capital projects		527,257	943,706	1,470,963
Unassigned	4,378,712			4,378,712
TOTAL FUND BALANCES	4,537,572	527,257	1,988,159	7,052,988
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,307,290	\$ 539,940	\$ 2,083,797	\$ 9,931,027

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,052,988
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$43,911,044 and the accumulated depreciation is \$22,467,757.	21,443,287
Property taxes and earned income taxes receivable will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	2,366,187
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,457,169
Deferred inflows of resources related to pensions	(271,845)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:	
Notes payable, net of internal service fund of \$126,192	(227,063)
Capital lease obligations	(219,623)
Compensated absences, net of internal service fund of \$21,499	(1,050,828)
Deferred charge on refunding	545
Other post employment benefits	(521,462)
Net pension liability	(4,398,260)
The Internal Service Fund is used by management to charge the costs of certain activities to the discretely presented component unit. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	<u>(95,413)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 25,535,682</u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Real estate taxes	\$ 1,534,380	\$	\$ 1,367,651	\$ 2,902,031
Transfer taxes	700,222			700,222
Earned income taxes	4,017,840			4,017,840
Local services tax	608,417			608,417
Licenses and permits	900			900
Cable franchise fees	458,177			458,177
Fines, forfeits, and fees	46,514			46,514
Interest earnings	40,538	897	3,445	44,880
Intergovernmental revenues	689,281	222,772	1,090,961	2,003,014
Charges for services	592,972		379,135	972,107
Contributions	294,113	13,735	127,167	435,015
Miscellaneous revenue	9,410			9,410
TOTAL REVENUES	8,992,764	237,404	2,968,359	12,198,527
EXPENDITURES				
General government	1,250,322	5,801		1,256,123
Public safety	2,762,370		438,394	3,200,764
Public works	640,105	78,159	377,801	1,096,065
Culture and recreation	29,929		719,833	749,762
Benefits and insurance	2,672,147			2,672,147
Capital outlay	218,360	478,264	1,152,761	1,849,385
Debt service:				
Principal	189,441	29,213	641,227	859,881
Interest and other charges	5,163	787	5,610	11,560
TOTAL EXPENDITURES	7,767,837	592,224	3,335,626	11,695,687
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,224,927	(354,820)	(367,267)	502,840
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(714,147)		714,147	-
Proceeds from sale of capital assets	48,577		10,000	58,577
Capital lease obligation		187,632		187,632
Refunds of prior year expenditures	62,040			62,040
TOTAL OTHER FINANCING SOURCES (USES)	(603,530)	187,632	724,147	308,249
NET INCREASE (DECREASE) IN FUND BALANCES	621,397	(167,188)	356,880	811,089
FUND BALANCE AT BEGINNING OF YEAR	3,916,175	694,445	1,631,279	6,241,899
FUND BALANCE, ENDING	\$ 4,537,572	\$ 527,257	\$ 1,988,159	\$ 7,052,988

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

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

FOR THE YEAR ENDED DECEMBER 31, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 811,089
<p>Capital outlays are reported in Governmental Funds 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 of capital outlays and depreciation expense:</p>	
Capital outlay additions	1,849,385
Depreciation expense	(1,165,503)
<p>Because some property taxes and earned income taxes will not be collected for several months after the year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.</p>	
	203,639
<p>Loss on bond refunding costs are amortized over the lives of the bonds in the Statement of Activities, but are recorded as expenditures in the Governmental Funds.</p>	
	(1,311)
<p>Repayment of bond and note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	670,440
<p>On the Statement of Activities the actual and projected long term expenditures for pension benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for pension benefits.</p>	
	(327,450)
<p>Capital lease proceeds are other financing sources in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net position.</p>	
	(187,632)
<p>Capital lease payments are an expenditure in the Governmental Funds, but the payment reduces long-term liabilities in the statement of net position.</p>	
	189,441
<p>Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.</p>	
	41,074
<p>On the Statement of Activities the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.</p>	
	(50,295)
<p>The Internal Service Fund is used by management to charge the costs of certain activities to the discretely presented component unit. The net of the internal service fund is reported with governmental funds.</p>	
	<u>(81,033)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,951,844</u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

	Governmental Activities
	Internal Service Fund
	Water Fund
ASSETS	
Current assets:	
Cash	\$ 27,350
Interfund receivable	2,403
Note receivable from component unit	44,922
TOTAL ASSETS	74,675
LIABILITIES	
Current liabilities:	
Accrued payroll	19,852
Payroll liabilities	2,545
Bonds payable, current portion	44,922
Total current liabilities	67,319
Noncurrent liabilities:	
Compensated absences	21,499
Total noncurrent liabilities	21,499
TOTAL LIABILITIES	88,818
NET POSITION	
Unrestricted	(14,143)
TOTAL NET POSITION	\$ (14,143)

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities
	Internal Service Fund
	Water Fund
OPERATING REVENUES	
Intergovernmental revenue	\$ 524,215
TOTAL OPERATING REVENUES	524,215
OPERATING EXPENSES	
General operations	166,198
Public works	357,858
TOTAL OPERATING EXPENSES	524,056
OPERATING INCOME (LOSS)	159
NONOPERATING REVENUES (EXPENSES)	
Interest income	78
TOTAL NONOPERATING REVENUE (EXPENSES)	78
CHANGE IN NET POSITION	237
NET POSITION, BEGINNING	(14,380)
NET POSITION, ENDING	\$ (14,143)

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities Internal Service Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 524,215
Payments to employees	(558,985)
	(34,770)
NET CASH USED IN OPERATING ACTIVITIES	(34,770)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings on investments	78
	78
NET CASH PROVIDED BY INVESTING ACTIVITIES	78
NET DECREASE IN CASH	(34,692)
CASH AT BEGINNING OF YEAR	62,042
CASH AT END OF YEAR	\$ 27,350
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ 159
Adjustments to reconcile operating income to net cash used in operating activities	
(Increase) decrease in assets:	
Note receivable from component unit	81,269
Interfund	(2,403)
Increase (decrease) in liabilities:	
Due to component unit	(37,064)
Accrued payroll	3,934
Compensated absences	605
Bonds payable	(81,270)
	(81,270)
NET CASH USED IN OPERATING ACTIVITIES	\$ (34,770)

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

DECEMBER 31, 2016

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 533,004	\$ 197,579
Accounts receivable		8,417
Receivable	-	
Investments - mutual funds	16,325,119	
Prepaid pension expense	61,269	
	<u>16,919,392</u>	<u>205,996</u>
TOTAL ASSETS		
	<u>16,919,392</u>	<u>205,996</u>
LIABILITIES		
Accounts payable		4,968
Escrow deposits		201,028
		<u>205,996</u>
TOTAL LIABILITIES		
	<u>-</u>	<u>205,996</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
	<u>\$ 16,919,392</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 438,844
Employee	192,323
State aid	293,101
Total Contributions	<u>924,268</u>
Investment Income	
Interest and dividend income	184,289
Net appreciation (depreciation) in fair market value of investments	819,228
Total Investment Income (loss)	<u>1,003,517</u>
Less: Investment expenses	<u>(77,029)</u>
Net Investment Income (loss)	<u>926,488</u>
TOTAL ADDITIONS	<u>1,850,756</u>
DEDUCTIONS	
Administrative expenses	10,938
Benefits paid	770,942
Insurance premiums	6,005
TOTAL DEDUCTIONS	<u>787,885</u>
CHANGE IN NET POSITION	1,062,871
PLAN NET POSITION, BEGINNING	<u>15,856,521</u>
PLAN NET POSITION, ENDING	<u><u>\$ 16,919,392</u></u>

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Doylestown (the “Township”) is located in the central section of Bucks County, Pennsylvania. The Township covers an area of approximately 16 square miles.

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

Financial Reporting Entity

The Township is governed by an elected five-member Board of Supervisors. In evaluating the Township as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and scope of public service. As required by GAAP, these financial statements present the Township’s primary government and its component unit, the Doylestown Township Municipal Authority, an entity for which the government is considered to be financially accountable.

The discretely presented component unit discussed below is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The Doylestown Township Municipal Authority provides water service for residents of the Township. The Municipal Authority is included in the reporting entity in order to conform with GAAP, because of the significance of its relationship with the Township. The Township of Doylestown Board of Supervisors reviews the budget of the Authority. Also, the Township is ultimately responsible for the Authority’s debt and the Township’s employees provide the services for the Authority. Therefore, there is a fiscal interdependence, and control over the Authority by the Township. Separately issued financial statements for the Municipal Authority may be obtained at the Township’s administrative office.

The discretely presented component unit is a proprietary fund type that is accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the government, except for Fiduciary Funds. The statements distinguish between those activities of the Township that are governmental and the discretely presented component unit.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Fund Financial Statements

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. Proprietary and fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers property taxes and governmental fund revenues as available if they are collected within sixty days after year end. Those revenues susceptible to accrual are property taxes and earned income taxes, interest, intergovernmental, charges for services, and certain miscellaneous revenues. Permits and fines are not susceptible to accrual because generally they are not measurable until received in cash. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the programs are used as guidance. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due, except they are accrued when the principal and interest are due early in the next year and financial resources for their payment have been provided in the current year. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenue, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. Proprietary funds are reported using the economic resources measurement focus, and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) when they are earned and decreases (e.g., expenses) when they are incurred. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

Fund Financial Statements, continued

Fiduciary Funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Major Governmental Funds:

The Township reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Township. All activities of the Township are accounted for through this fund, except for those required to be accounted for in another fund.

Capital Reserve Fund

The Capital Reserve Fund accounts for capital improvements of the township.

Major Proprietary Fund Type:

Internal Service Fund

The Internal Service Fund is used by management to charge the costs of certain activities to the discretely presented component unit.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the Township in a trustee capacity. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for essentially the same as a Proprietary Fund since income measurement is critical.

Cash and Cash Equivalents

Included in cash are cash equivalents with a maturity of three months or less. For purposes of the statement of cash flows for the proprietary fund, the Township considers all funds held with the Pennsylvania Local Government Investment Trust to be cash equivalents.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Township and the discretely presented component unit expect that all accounts receivable as of December 31, 2016 were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

There have been no eliminations of transactions between funds or between the primary government and the discretely presented component unit.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, and machinery and equipment are reported in the governmental activities and discretely presented component unit column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair value at the time of donation.

The Township and the Municipal Authority defines capital assets as assets with an individual cost of more than \$15,000 and \$5,000, respectively and an estimated useful life in excess of two years. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

	<u>Years</u>
Land improvements	15-50
Buildings and building improvements	15-50
Infrastructure	50
Machinery and equipment	5-20
Water System	30-50

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unavailable Revenues

Governmental Funds unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the Township's year end. It is expected that these receivables will be collected and included in revenues of future fiscal years.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. The Township's long-term debt consists of general obligation bonds, notes and capital leases.

In the fund financial statements, Governmental Funds report the face amount of debt issued as other financing sources and payment of principal and interest is reported as expenditures. Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Real Estate Tax Revenue

Real estate taxes are levied on February 1st and bills are sent out on March 1st by the tax collector. The tax collector bills and collects all taxes and remits them to the Township. Taxes unpaid in the current year are liened no later than January 15th of the subsequent year. Township taxes are payable as follows: 2% discount, March 1 through April 30; face amount, May 1 through June 30; and, 10% penalty thereafter. Remittances from the tax collector are distributed to the appropriate funds based on the following millage rate as approved in the 2016 budget:

	<u>Mills</u>
General Fund	5.750
Ambulance Corp.	.375
Fire Protection	1.250
Debt Service	1.750
Roads and Bridges	1.000
Park and Recreation	<u>.750</u>
	<u>10.875</u>

Interim assessment revenues are recognized when earned. All current year assessments are billed by the Tax Collector. All delinquent assessments are the responsibility of the Township.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Real Estate Tax Revenue, continued

The Township, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when they are collected.

Fund Balance

The Township implemented GASB Statement No. 54 for the year ending December 31, 2011. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance, continued

Assigned fund balance. This classification reflects amounts constrained by the township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors or an official or body given the authority by the Board of Supervisors has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Use of fund balance. The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed.

Net Position

Net position is divided into three components:

Net investment in capital assets – consist of the historical costs of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Authority's creditors, by the state enabling legislation, by grantors, and by other contributors.

Unrestricted – all other net position is reported in this category.

Net position of \$590,700 is restricted by enabling legislation.

Restricted Net Position

Restricted Net Position includes cash of the discretely presented component unit that is restricted for construction.

Use of Estimates in the Preparation of Financial Statements

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

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under Section 3204 of the Second Class Township Code, as amended the Township is permitted to invest funds in the following types of investments:

1. United States Treasury bills,
2. Short-term obligations of the Federal Government or its agencies or instrumentalities,
3. Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation, or
4. Obligations of the United States of America or any of its agencies backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies backed by the full faith and credit of the Commonwealth.

Under Act No. 72 enacted by the general assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state of authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Deposit Insurance Corporation. The uninsured deposits, (as defined by Statement No. 40 of the Government Accounting Standards Board) of the Township in the amount of \$3,824,397 for the primary government and \$4,755,346 for the component unit, were collateralized by this pool of assets maintained by the Township's depository institutions.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township manages its custodial credit risk by requiring financial institutions to secure any deposits over the \$250,000 FDIC limit with the bank's assets in accordance with Act 72. As of December 31, 2016, \$3,824,397 of the Township's primary government bank balance of \$5,005,691, and \$4,755,346 of the component unit's bank balance of \$5,348,866 were exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the Township's name	\$3,824,397
Collateral held by pledging bank's trust department not in the Component Unit's name	\$4,755,346

The Township has investments of \$755,654 with Pennsylvania Local Government Investment Trust (PLGIT) and the component unit has \$1,661,763, as of December 31, 2016.

Investments – The Township's investments are held in the Pension Trust Funds. The Plans' investments are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, Section 7302.

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.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

Information related to the Township’s fiduciary fund investments measured at fair value on a recurring basis at December 31, 2016, is as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	\$ 16,325,120	\$ 16,325,120	\$ -	\$ -

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. The Township’s Pension Plans do not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2016, the Township’s Pension Plans’ investment balance exposed to interest rate risk was as follows:

Investment Type	Fair Value	<u>Investment Maturities (in years)</u>			
		Less than 1	1 - 5	6 - 10	Not Available
Bond Mutual Funds	\$ 5,152,132	\$ 650,779	\$ 1,639,948	\$ 2,090,461	\$ 770,944

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township’s Pension Plans do not have a formal investment policy that addresses credit risk. U.S. Government obligations are not considered to have credit risk and do not require disclosure of credit quality. The credit risk of a debt instrument as measured by a NRSRO (Morningstar for bond mutual funds or Moody’s for bonds and mortgages) is as follows:

Investment Type	Fair Value	Credit Quality
Bond Mutual Funds	\$ 764,930	BBB
Bond Mutual Funds	2,268,568	BB
Bond Mutual Funds	816,254	B
Bond Mutual Funds	1,302,380	Not Rated
Money Market Funds	109,365	Not Rated
Total	<u>\$ 5,261,497</u>	

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Township’s Pension Plans will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Township’s Pension Plans do not have a formal investment policy that addresses custodial credit risk, however, the Plans held no investments that were exposed to custodial credit risk at December 31, 2016.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of a pension plan’s investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Township’s Pension Plans do not have a formal investment policy that addresses concentration of credit risk, however, as of December 31, 2016, no investment in any one organization represented five percent (5%) or more of net position available for benefits.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Township’s Pension Plans do not have a formal investment policy that addresses foreign currency risk, however, the Plans held no investments that were exposed to foreign currency risk as of December 31, 2016.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at December 31, 2016:

	Due from other funds	Due to other funds
General Fund	\$	\$ 3,776
Proprietary Fund	2,403	
Nonmajor Funds	1,373	
	\$ 3,776	\$ 3,776

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following is a summary of transfers for the year ending December 31, 2016:

	Transfers to other funds	Transfers from other funds
General Fund	\$ 743,650	\$ 29,503
Nonmajor Funds	29,503	743,650
	\$ 773,153	\$ 773,153

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital Asset Activity for Governmental Activities for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Capital assets not being depreciated				
Land	\$ 3,750,000	\$	\$	\$ 3,750,000
Construction in progress		132,852		132,852
Total Capital assets not being depreciated	<u>3,750,000</u>	<u>132,852</u>	<u>-</u>	<u>3,882,852</u>
Capital assets being depreciated				
Land improvements	4,286,743			4,286,743
Buildings and improvements	2,057,154			2,057,154
Infrastructure	28,120,786	1,273,480	15,301	29,378,965
Machinery and equipment	3,966,021	443,053	103,744	4,305,330
Total capital assets being depreciated at historical cost	<u>38,430,704</u>	<u>1,716,533</u>	<u>119,045</u>	<u>40,028,192</u>
Less accumulated depreciation for				
Land improvements	(4,021,203)	(20,581)		(4,041,784)
Buildings and improvements	(970,594)	(50,250)		(1,020,844)
Infrastructure	(14,191,907)	(828,882)	(15,301)	(15,005,488)
Machinery and equipment	(2,237,595)	(265,790)	(103,744)	(2,399,641)
Total accumulated depreciation	<u>(21,421,299)</u>	<u>(1,165,503)</u>	<u>(119,045)</u>	<u>(22,467,757)</u>
Total capital assets being depreciated, net	<u>17,009,405</u>	<u>551,030</u>	<u>-</u>	<u>17,560,435</u>
Governmental Activities capital assets, net	<u>\$ 20,759,405</u>	<u>\$ 683,882</u>	<u>\$ -</u>	<u>\$ 21,443,287</u>

Depreciation for Governmental Activities was charged to direct expense of the programs as follows:

General government	\$ 21,691
Public safety	175,168
Public works	781,754
Culture and recreation	186,890
Total Governmental Activities depreciation expense	<u>\$ 1,165,503</u>

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS, continued

Capital Asset Activity for the component unit for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Capital assets not being depreciated				
Land	\$ 144,586	\$	\$	\$ 144,586
Construction in progress	37,535			37,535
Total Capital assets not being depreciated	<u>182,121</u>	<u>-</u>	<u>-</u>	<u>182,121</u>
Capital assets being depreciated				
Land Improvements	28,012			28,012
Buildings	1,866,096			1,866,096
Infrastructure	16,294,575	339,051		16,633,626
Plant, systems, and equipment	1,686,268	55,236		1,741,504
Vehicles	345,358	-	39,820	305,538
Total capital assets being depreciated at historical cost	20,220,309	394,287	39,820	20,574,776
Less accumulated depreciation	<u>(11,422,085)</u>	<u>(626,369)</u>	<u>(39,820)</u>	<u>(12,008,634)</u>
Total capital assets being depreciated, net	<u>8,798,224</u>	<u>(232,082)</u>	<u>-</u>	<u>8,566,142</u>
Capital assets, net	<u>\$ 8,980,345</u>	<u>\$ (232,082)</u>	<u>\$ -</u>	<u>\$ 8,748,263</u>

5. NOTE RECEIVABLE FROM COMPONENT UNIT

During 1996, Doylestown Township issued General Obligation Bonds, Series of 1996. In connection therewith, the Authority received proceeds from the Bond and entered into a note payable agreement with the Township for the amount of \$2,405,000. Proceeds were used to finance water plant expansion. In December 1998, the Township refunded its outstanding 1993 and 1996 Series General Obligation Bonds with the new 1998 Series Bonds. In connection with the refunding, the Authority paid \$1,200,000 against its note payable to the Township.

In May 2008, the Township refunded its outstanding 1998 and 2002 Series General Obligation Bonds with the new 2008 Series Bonds. In connection with the refunding, the Authority received an additional loan of \$28,253, which was paid by the Township to the Authority in 2009. Through year end 2008, the note was payable in annual installments of variable interest and principal through December 1, 2016. Beginning in 2009, the note is payable in annual installments of interest and principal through December 1, 2017.

The interest rate was reduced to .89% from 3.510% in May 2014. The balance due from the Authority at December 31, 2016 is \$44,922.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG TERM LIABILITIES

The following is a summary of long-term liability activity of the Township as of December 31, 2016:

Type	Principal Outstanding 1/1/2016	Additions	Repayments	Principal Outstanding 12/31/2016	Due within One Year
General Obligation Note - 2008	\$ 927,000	\$	\$ 597,000	\$ 330,000	\$ 330,000
General Obligation Note - 2010	44,227		44,227	-	-
Promissory Note	52,468		29,213	23,255	11,887
Ford Lease	22,740		22,740	-	-
TD Bank Lease	5,618		5,618	-	-
TD Bank Lease	35,430		17,540	17,890	17,890
TD Bank Lease	157,644		78,043	79,601	79,601
TD Bank Lease		187,632	65,500	122,132	61,695
	<u>1,245,127</u>	<u>187,632</u>	<u>859,881</u>	<u>572,878</u>	<u>501,073</u>
Compensated Absences	1,112,796		40,469	1,072,327	
Total	<u>\$ 2,357,923</u>	<u>\$ 187,632</u>	<u>\$ 900,350</u>	<u>\$ 1,645,205</u>	<u>\$ 501,073</u>

The general fund has been used to liquidate other long-term liabilities.

General Obligation Note 2008

On July 8, 2008, the Township issued a General Obligation Note of \$4,566,000 with an interest rate of 3.51% reduced to .89% in May 2014, to provide for the refunding of the remaining 2002 Series General Obligation Bonds and 1998 Series General Obligation Bonds maturing on or after December 31, 2009, and to provide funding for construction of a Public Works storage garage and certain other capital projects of the township. Principal is payable annually on May 25th each year, beginning May 25, 2009. Interest is payable by the 25th of each month.

General Obligation Note 2010

On October 5, 2010 The Township authorized the issuance of a general Obligation Note in the amount of \$410,000 for capital projects. The Township received the proceeds of the General Obligation Note on June 28, 2011. The Note bears an interest rate of 3.25%. Principal and interest are payable monthly beginning August 1, 2011, through June 30, 2016.

Promissory Note

On January 15, 2014, the Township entered into a loan agreement with the County of Bucks to finance police radios in the amount of \$82,468, with interest at 1.5%. Loan is payable in annual installments of \$12,499 beginning July 1, 2015 through July 1, 2021. Principal has been prepaid.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG TERM LIABILITIES, continued

Required principal and interest payments for the Notes are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 341,887	\$ 1,579	\$ 343,466
2018	11,368	178	11,546
	<u>\$ 353,255</u>	<u>\$ 1,757</u>	<u>\$ 355,012</u>

Interest expense for the General Obligation Notes was \$6,397 for the year ending December 31, 2016.

Capital Leases

The Township entered into a lease-purchase agreement in 2014 for the purchase of vehicles. The present value of the lease payments is \$72,697. The payments are made annually. The implicit interest rate is 5.00%.

The Township entered into a lease-purchase agreement in 2014 for the purchase of a vehicle. The present value of the lease payments is \$26,861. The payments are made annually. The implicit interest rate is 2.95%.

The Township entered into a lease-purchase agreement in 2015 for the purchase of vehicles. The present value of the lease payments is \$53,730. The payments are made annually. The implicit interest rate is 2.00%.

The Township entered into a lease-purchase agreement in 2015 for the purchase of vehicles. The present value of the lease payments is \$229,644. The payments are made annually. The implicit interest rate is 2.00%.

The Township entered into a lease-purchase agreement in 2016 for the purchase of vehicles. The present value of the lease payments is \$187,632. The payments are made annually. The implicit interest rate is 2.25%.

The total present value of the leases, in the amount of \$568,930 has been included in capital assets in the government-wide financial statements. Amortization of assets acquired under capital leases is included with depreciation expense on the government-wide financial statements.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG TERM LIABILITIES, continued

Required principal and interest payments for the Capital leases are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$ 159,186	\$ 2,055	\$ 161,241
2017	60,437	1,360	61,797
	<u>\$ 219,623</u>	<u>\$ 3,415</u>	<u>\$ 223,038</u>

Interest expense for the capital leases for the year ended December 31, 2016, was \$5,165.

7. COMMITMENTS AND CONTINGENCIES

The Township is a defendant in various civil actions. The Township intends to defend these actions. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

8. PENSION PLANS

Police Pension Plan

Plan Description

The Doylestown Township Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers as stated in Township Code Section 28. The Plan governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to D.K. Brede Investment Management Co., Inc. Complete financial statements for the Police Pension Plan may be obtained at the Township building.

Benefits Provided

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
 - Normal Retirement – Age 50 with 25 years of credited service
 - Early Retirement – None
 - Vesting – 100% after 12 years of credited service
- *Retirement Benefit:* 50% of final 36 months of average compensation, plus \$100 per month for each full year of service over 25 years. The maximum increase shall be \$500.
- *Survivor Benefit:* Post-retirement – 50% of retirement benefit; Vested – refund of contributions with interest or 50% of vested benefit payable beginning at officer’s super-annuation retirement date.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Police Pension Plan, continued

Benefits Provided, continued

- *Disability Benefit Service Related:* 50% of salary at time disability was incurred offset by any social security disability benefit received for the same injury.
- *Post Retirement Adjustments:* Effective 1/1/1995, adjustment equal to lesser of CPI or 3%. Aggregate total increase will not exceed the lesser of 30%, or 75% of final average salary.
- *Pre Act 44 Deferred Retirement Option Program (DROP):* An active Member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 48 months.
- *Member Contributions:* 5% contribution rate and 4% interest rate credited to member contributions.

Plan Membership

Membership of the plan consisted of the following at December 31, 2016:

Active Plan Members	18
Inactive Plan Members Currently Receiving Benefits	13
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>4</u>
Total	<u><u>35</u></u>

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time employees are required to contribute 5% of compensation into the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2016. The Township contributed State Aid of \$293,101 and Township contribution of \$83,040, into the plan for 2016.

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan's financial statements are prepared using the accrual basis of accounting. Plan payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Police Pension Plan, continued

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allowable pension plan expenditures and may be funded with plan assets.

Net Pension Liability

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2016 was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2016. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method as described below:

	<u>December 31, 2016</u>
Actuarial Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment rate of return	8.00%
Mortality rates	Blue Collar RP-2000 Mortality Table projected to 2015 using Scale AA

Long Term Expected Rate of Return on Investments

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2016 are listed in the table below.

The Plan's investment policy establishes the following target allocation across asset classes:

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Police Pension Plan, continued

Long Term Expected Rate of Return on Investments, continued

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equities Large Cap	29.5%	6.25%
Domestic Equities Mid Cap	8.0%	6.75%
Domestic Equities Small Cap	6.0%	7.00%
EAFE Equities	14.5%	6.75%
Emerging Markets Equity	5.0%	9.25%
US REITS	2.0%	6.00%
US Aggregate Bonds	33.0%	3.00%
Cash and Cash Equivalents	2.0%	2.00%
Total Net Blended Return		2.65%

* Excludes 2.25% inflation assumption and 0.5% investment expense assumption.

Long Term Expected Rate of Return (Including Inflation)	4.90%
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Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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. Based upon the Plan's current targeted investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability	\$ 3,730,170	\$ 2,255,905	\$ 1,022,187

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Police Pension Plan, continued

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/15	\$ 11,325,791	\$ 9,244,494	\$ 2,081,297
Changes for the year:			
Service Cost	258,314	-	258,314
Interest	908,143	-	908,143
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	83,040	(83,040)
Contributions - State Aid	-	293,101	(293,101)
Contributions - Member	-	94,463	(94,463)
Net Investment Income	-	532,750	(532,750)
Benefit Payments	(464,623)	(464,623)	-
Administrative Expense	-	(11,505)	11,505
Other Changes	-	-	-
Net Changes	701,834	527,226	174,608
Balances at 12/31/16	\$ 12,027,625	\$ 9,771,720	\$ 2,255,905

Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2016, the Township recognized a pension expense of \$569,550. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 166,379
Changes in Assumptions	140,720	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	706,439	
Total	\$ 847,159	\$ 166,379

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Police Pension Plan, continued

Pension Expense and Deferred Outflows and Deferred Inflows of Resources, continued

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

Year ended December 31

2017	217,867
2018	217,867
2019	217,865
2020	35,472
2021	(4,342)
Thereafter	(3,949)

Non-Uniform Pension Plan

Plan Description

The Doylestown Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time non-uniformed employees as stated in the Township Code Section 28. The Plan governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to D.K. Brede Investment Management Co., Inc. Complete financial statements for the Non-uniformed Pension Plan may be obtained at the Township building. The Plan is closed to new members.

Benefits Provided

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
 - Normal Retirement – Age 60 (Effective 1/1/12 plan participation is frozen)
 - Early Retirement – Age 55 with 15 years of credited service
 - Vesting – 100% after 5 years of credited service
- *Retirement Benefit:* 50% of highest 36 months of average compensation, reduced by 1/25 for each year of credited service less than 25, plus \$100 per month for each full year of service over 25 years. The maximum increase shall be \$500.
- *Survivor Benefit:* Refund of contributions with 4% interest or, if vested, spouse entitled to 100% joint & survivor payable when participant would have met early retirement eligibility further reduced for early commencement. If eligible for early retirement: 100% of the benefit the participant would have received had he retired on the date of death and elected a 100% joint and survivor benefit.
- *Disability Benefit Service & Non-Service Related:* Same as Normal Retirement benefit, based on service and final compensation to date of disability. Minimum benefit is \$3,600/year. Must have 10 years of credited service to be eligible.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniform Pension Plan, continued

Benefits Provided, continued

- *Post Retirement Adjustments:* Effective 1/1/1995, adjustment equal to lesser of CPI or 3%. Aggregate total increase will not exceed the lesser of 30%, or 75% of final average salary.
- *Act 44 Deferred Retirement Option Program (DROP):* An active Member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 48 months.
- *Member Contributions:* 5% contribution rate and 4% interest rate credited to member contributions.

Plan Membership

Membership of the plan consisted of the following at December 31, 2016 the date of the latest actuarial valuation:

Active Plan Members	20
Inactive Plan Members Currently Receiving Benefits	20
Inactive Plan Members Entitled to but not yet Receiving Benefits	12
Total	<u>52</u>

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time employees are required to contribute 5% of compensation into the Plan. This contribution is governed by the Plan's ordinances. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2016. The Township contributed State Aid of \$0 and Township contribution of \$328,165, into the plan for 2016.

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan's financial statements are prepared using the accrual basis of accounting. Plan payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniform Pension Plan, continued

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allowable pension plan expenditures and may be funded with plan assets.

Net Pension Liability

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2016 was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2016. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method as described below:

	December 31, 2016
Actuarial Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment rate of return	8.00%
Mortality rates	RP-2000 Mortality Table projected to 2015 using Scale AA

Long Term Expected Rate of Return on Investments

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2016 are listed in the table below.

The Plan's investment policy establishes the following target allocation across asset classes:

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniformed Pension Plan, continued

Long Term Expected Rate of Return on Investments, continued

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equities Large Cap	29.5%	6.25%
Domestic Equities Mid Cap	8.0%	6.75%
Domestic Equities Small Cap	6.0%	7.00%
EAFE Equities	14.5%	6.75%
Emerging Markets Equity	5.0%	9.25%
US REITS	2.0%	6.00%
US Aggregate Bonds	33.0%	3.00%
Cash and Cash Equivalents	2.0%	2.00%
Total Net Blended Return		<u>2.65%</u>

* Excludes 2.25% inflation assumption and 0.5% investment expense assumption.

Long Term Expected Rate of Return (Including Inflation) 4.90%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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. Based upon the Plan's current targeted investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease <u>7.00%</u>	Current Discount Rate <u>8.00%</u>	1% Increase <u>9.00%</u>
Net pension liability	\$ 3,053,400	\$ 2,142,355	\$ 1,358,521

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniformed Pension Plan, continued

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/15	\$ 8,556,268	\$ 6,523,624	\$ 2,032,644
Changes for the year:			
Service Cost	196,440	-	196,440
Interest	687,964	-	687,964
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	328,165	(328,165)
Contributions - State Aid	-	-	-
Contributions - Member	-	68,888	(68,888)
Net Investment Income	-	383,040	(383,040)
Benefit Payments	(306,318)	(306,318)	-
Administrative Expense	-	(5,400)	5,400
Other Changes	-	-	-
Net Changes	<u>578,086</u>	<u>468,375</u>	<u>109,711</u>
Balances at 12/31/16	<u>\$ 9,134,354</u>	<u>\$ 6,991,999</u>	<u>\$ 2,142,355</u>

Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2016, the Township recognized a pension expense of \$489,845. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 105,466
Changes in Assumptions	117,976	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>492,034</u>	
Total	<u>\$ 610,010</u>	<u>\$ 105,466</u>

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniformed Pension Plan, continued

Pension Expense and Deferred Outflows and Deferred Inflows of Resources, continued

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

Year ended December 31

2017	160,030
2018	160,030
2019	157,344
2020	27,140
2021	-
Thereafter	-

Non-Uniform Defined Contribution Pension Plan

Plan Description

The Doylestown Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan that was established for full-time non-uniformed employees hired on or after January 1, 2012. The Plan is controlled by the provisions of Ordinance No 368. The Plan is governed by the Board of Township Supervisors which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Township Supervisors has delegated the authority to manage Plan assets to ICMA Retirement Corporation. Complete financial statements for the Non-uniformed Pension Plan may be obtained at the Township building.

Plan Membership

Membership of the plan consisted of the following at December 31, 2016 the date of the latest actuarial valuation:

Active Plan Members	10
Inactive Plan Members Currently Receiving Benefits	0
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>0</u>
Total	<u><u>10</u></u>

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. 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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLANS, continued

Non-Uniformed Defined Contribution Pension Plan, continued

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allowable pension plan expenditures and may be funded with plan assets.

Act 205

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

Funding Policy

The Township will contribute into the Plan for each eligible participant an amount equal to 5% of their compensation. Participants are required to contribute 5% of their compensation to the Plan. In addition to the Township contribution made to participant's account, their account will be credited annually with the pro rata share of the investment earnings or losses of the Plan. The Township, if eligible, may allocate State Aid received from the Commonwealth of Pennsylvania to the Plan. Forfeitures due to non-vested terminations are to be used to reduce the Township's contribution to the Plan. To the extent that these fundings are not adequate to cover the Township's obligation to the plan, the Township would then be required to contribute. The Township's pension expense was \$27,639 as required to be contributed to the Plan for the year 2016.

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

In 2009 the Township implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for postemployment health care benefits provided by the Township. The requirements of this statement were implemented prospectively, with the actuarially accrued liability for benefits at December 31, 2009, the date of transition, amortized over 30 years.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POSTEMPLOYMENT HEALTH CARE BENEFITS, continued

Plan Description: Police officers who retire and are age 50 with 25 years of service are eligible for medical and prescription drug coverage, including dental coverage, under Delaware Valley Health Insurance Trust Fund (DVHIT) and \$10,000 life insurance for 5 years from the effective date of retirement. Non-uniformed employees who retire and are age 60, with no minimum service requirement, are eligible for medical and prescription drug coverage, including dental coverage, under DVHIT, with no provision for life insurance. Surviving spouses are eligible for survivor benefits and may continue in coverage by paying 100% of the cost of coverage. The Township subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates based upon the combined demographics of both active and retired employees. The rates that are charged to retirees are actually lower than the rates that would have been charged if the retiree group was rated separately because, on an actuarial basis, the retiree group has a higher average age and higher medical costs than the overall combined population of active and retired employees. Separate financial statements are not issued for the plan.

Funding Policy: The Township has not pre-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2016 year, 2 retirees and eligible spouses received postemployment health care benefits. The Township provided required contributions toward the annual OPEB cost. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB Cost and Net-OPEB Obligation: The Township’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2016 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 69,652	19%	420,126
12/31/2015	58,615	13%	471,167
12/31/2016	60,657	17%	521,462

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POSTEMPLOYMENT HEALTH CARE BENEFITS, continued

The following table shows the Township’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation:

<u>Description</u>	
Normal cost (service cost for one year)	\$ 38,938
Interest on Normal Cost	2,828
Amortization of Unfunded Actuarial Accrued Liability	<u>31,758</u>
Annual Required Contribution (ARC)	73,524
Interest on net OPEB Obligation	18,847
Adjustment to Annual Required Contribution	<u>(31,714)</u>
Annual OPEB Cost (expense)	60,657
Contributions toward the OPEB Cost	<u>(10,362)</u>
Increase in Net OPEB Obligation	50,295
Net OPEB Obligation, Beginning of Year	<u>471,167</u>
Net OPEB Obligation, End of Year	<u><u>\$ 521,462</u></u>

Funded Status and Funding Progress: As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$440,162, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$440,162. The covered payroll (annual payroll of active participating employees) was \$3,547,023 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.4 percent.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members.

TOWNSHIP OF DOYLESTOWN

NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POSTEMPLOYMENT HEALTH CARE BENEFITS, continued

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Township's OPEB actuarial valuation as of January 1, 2015 uses the entry age normal cost method to estimate both the unfunded liability as of December 31, 2016 and the Township's 2016 annual required contribution. This cost method was selected because it effectively spreads the liability over the future working lifetime of active participants as a level percentage of payroll to produce the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.0 percent rate of return on invested assets. The actuarial assumptions include an annual health care cost trend rate of 0% in 2016, 7% in 2017 reduced by 0.25% per year thereafter to an ultimate rate of 5%. The actuarial assumptions also assume that 15% of retirees who are eligible to participate will participate in coverage.

10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. The Township uses Delaware Valley Health Trust, a risk retention pool for worker's compensation insurance. The risk pool includes other municipalities. The Township pays an annual premium to the Trust for its worker's compensation coverage. The agreement for the formation of the Delaware Valley Health Trust provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for excessive claims. There were no significant reductions in insurance coverage for the year 2016.

11. SUBSEQUENT EVENTS

The Township issued General Obligation Bonds Series 2017 on February 28, 2017. The total principal amount is \$9,940,000, bearing interest ranging from 1% to 4%.

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF DOYLESTOWN

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget Positive (Negative)
	Original	Final		
REVENUES				
Real estate taxes	\$ 1,546,009	\$ 1,543,510	\$ 1,534,380	\$ (9,130)
Transfer taxes	448,440	643,095	700,222	57,127
Earned income taxes	3,937,185	4,004,581	4,017,840	13,259
Local services tax	541,350	600,000	608,417	8,417
Licenses and permits	850	850	900	50
Cable franchise fees	401,700	450,400	458,177	7,777
Fines, forfeits, and fees	47,000	44,696	46,514	1,818
Interest earnings	32,500	35,431	40,538	5,107
Intergovernmental revenues	573,495	679,510	689,281	9,771
Charges for services	362,025	360,178	592,972	232,794
Contributions	294,113	295,613	294,113	(1,500)
Miscellaneous revenue	4,020	62,191	9,410	(52,781)
TOTAL REVENUES	8,188,687	8,720,055	8,992,764	272,709
EXPENDITURES				
General government	1,442,440	1,399,036	1,250,322	148,714
Public safety	2,989,536	2,956,056	2,762,370	193,686
Public works	779,298	768,780	640,105	128,675
Culture and recreation	39,000	30,131	29,929	202
Benefits and insurance	2,740,489	2,727,932	2,672,147	55,785
Capital outlay			218,360	(218,360)
Debt service	204,704	204,704	194,604	10,100
TOTAL EXPENDITURES	8,195,467	8,086,639	7,767,837	318,802
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,780)	633,416	1,224,927	591,511
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(705,000)	(708,650)	(714,147)	(5,497)
Proceeds from sale of capital assets	17,500	17,501	48,577	31,076
Refunds of prior year	1,930	837	62,040	61,203
TOTAL OTHER FINANCING SOURCES (USES)	(685,570)	(690,312)	(603,530)	86,782
NET INCREASE (DECREASE) IN FUND BALANCES	(692,350)	(56,896)	621,397	678,293
FUND BALANCE, BEGINNING	3,916,175	3,916,175	3,916,175	
FUND BALANCE, ENDING	\$ 3,223,825	\$ 3,859,279	\$ 4,537,572	\$ 678,293

See notes to required supplementary information

TOWNSHIP OF DOYLESTOWN
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
Last Ten Fiscal Years *

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 284,652	\$ 246,013	\$ 258,314
Interest	807,706	855,633	908,143
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	(222,683)	-
Changes of Assumptions	-	188,340	-
Benefit Payments, Including Refunds of Member Contributions	(390,094)	(450,499)	(464,623)
Net Change in Total Pension Liability	<u>702,264</u>	<u>616,804</u>	<u>701,834</u>
Total Pension Liability - Beginning	10,006,723	10,708,987	11,325,791
Total Pension Liability - Ending	<u>\$ 10,708,987</u>	<u>\$ 11,325,791</u>	<u>\$ 12,027,625</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 279,542	\$ 282,119	\$ 83,040
Contributions - State Aid	139,416	141,150	293,101
Contributions - Member	83,134	87,169	94,463
Net Investment Income	322,045	(169,153)	532,750
Benefit Payments, Including Refunds of Member Contributions	(390,094)	(450,499)	(464,623)
Administrative Expense	(11,002)	(14,912)	(11,505)
Net Change in Plan Fiduciary Net Position	<u>423,041</u>	<u>(124,126)</u>	<u>527,226</u>
Plan Net Position - Beginning	8,945,579	9,368,620	9,244,494
Plan Net Position - Ending	<u>\$ 9,368,620</u>	<u>\$ 9,244,494</u>	<u>\$ 9,771,720</u>
Plan's Net Pension Liability	<u>\$ 1,340,367</u>	<u>\$ 2,081,297</u>	<u>\$ 2,255,905</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.5%	81.6%	81.2%
Covered Employee Payroll	\$ 1,558,918	\$ 1,596,996	\$ 1,603,540
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	86.0%	130.3%	140.7%

Notes to schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

* This schedule will be prepared on a prospective basis.

TOWNSHIP OF DOYLESTOWN
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
NONUNIFORM PENSION PLAN
Last Ten Fiscal Years *

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 195,018	\$ 187,086	\$ 196,440
Interest	603,688	644,921	687,964
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	(190,864)	-
Changes of Assumptions	-	213,504	-
Benefit Payments, Including Refunds of Member Contributions	(295,649)	(300,341)	(306,318)
Net Change in Total Pension Liability	<u>503,057</u>	<u>554,306</u>	<u>578,086</u>
Total Pension Liability - Beginning	7,498,905	8,001,962	8,556,268
Total Pension Liability - Ending	<u>\$ 8,001,962</u>	<u>\$ 8,556,268</u>	<u>\$ 9,134,354</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 211,995	\$ 190,832	\$ 328,165
Contributions - State Aid	104,562	117,626	-
Contributions - Member	72,876	68,051	68,888
Net Investment Income	222,564	(116,743)	383,040
Benefit Payments, Including Refunds of Member Contributions	(295,649)	(300,341)	(306,318)
Administrative Expense	(4,100)	(9,200)	(5,400)
Net Change in Plan Fiduciary Net Position	<u>312,248</u>	<u>(49,775)</u>	<u>468,375</u>
Plan Net Position - Beginning	6,261,151	6,573,399	6,523,624
Plan Net Position - Ending	<u>\$ 6,573,399</u>	<u>\$ 6,523,624</u>	<u>\$ 6,991,999</u>
Plan's Net Pension Liability	<u>\$ 1,428,563</u>	<u>\$ 2,032,644</u>	<u>\$ 2,142,355</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.1%	76.2%	76.5%
Covered Employee Payroll	\$ 1,700,666	\$ 1,565,242	\$ 1,406,308
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	84.0%	129.9%	152.3%

Notes to schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA.

* This schedule will be prepared on a prospective basis.

TOWNSHIP OF DOYLESTOWN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION PLAN
Last Ten Fiscal Years *

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 418,958	\$ 423,269	\$ 376,141
Contributions made	<u>418,958</u>	<u>423,269</u>	<u>376,141</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,558,918	\$ 1,596,996	\$ 1,603,540
Contributions as a Percentage of Covered Employee Payroll	26.87%	26.50%	23.46%

Notes to schedules:

Valuation date - Actuarially determined contribution rates are calculated as of January 1, 2013 and 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period	9 Years
Asset valuation method	Market Value
Inflation	2.25%
Salary Increases	5.00%
Investment rate of return	8.00% (Net of pension plan investment expense including inflation)
Retirement age	50
Mortality rates	2015 - Based on Blue Collar RP Mortality Table projected to 2015 using Scale AA. 2014 - Based on Blue Collar RP Mortality Table

* This schedule will be prepared on a prospective basis.

TOWNSHIP OF DOYLESTOWN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
NONUNIFORM PENSION PLAN
Last Ten Fiscal Years *

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 316,557	\$ 308,458	\$ 328,165
Contributions made	<u>316,557</u>	<u>308,458</u>	<u>328,165</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,700,666	\$ 1,565,242	\$ 1,406,308
Contributions as a Percentage of Covered Employee Payroll	18.61%	19.71%	23.34%

Notes to schedules:

Valuation date - Actuarially determined contribution rates are calculated as of January 1, 2013 and 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period	11 Years
Asset valuation method	Market Value
Inflation	2.25%
Salary Increases	5.00%
Investment rate of return	8.00% (Net of pension plan investment expense including inflation)
Retirement age	60
Mortality rates	2015 - Based on RP Mortality Table projected to 2015 using Scale AA 2014 - Based on RP Mortality Table

* This schedule will be prepared on a prospective basis.

TOWNSHIP OF DOYLESTOWN
SCHEDULE OF FUNDING PROGRESS - Other Post Employment Benefits
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability AAL	(4) Unfunded (assets in excess of) Accrued Liability (2) - (1)	(3) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability As a % of Payroll
1/1/2009	\$ -	\$ 934,213	\$ 934,213	-	\$ 3,346,955	27.9
1/1/2012	\$ -	\$ 540,384	\$ 540,384	-	\$ 3,375,168	16.0
1/1/2015	\$ -	\$ 440,162	\$ 440,162	-	\$ 3,547,023	12.4

TOWNSHIP OF DOYLESTOWN

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

Budgetary Data

The Township follows the procedures below in establishing the budgetary data in the general fund:

During September, Township department heads are requested to submit preliminary operating budgets to the Township Manager for the fiscal year commencing the following January 1. The operating budgets submitted include proposed expenditures and the means of financing them as well as narrative justification for increases in the operating expenditures.

Budgets, as submitted, are subject to a detailed review by the Township Manager. The review process, which continues through November, includes meetings with the department heads, comparisons with prior year's spending patterns, and forecasting of future needs.

As required by the Township Code, the proposed budget is made available for public inspection for at least twenty days prior to the date of adoption, with the adoption required by December 31. Subsequent to the budget approval, the Township Board adopts the appropriation measures required to put the budget into effect, and fixes the rate of taxation.

Legal budgetary control is maintained by the Township Board. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the Board of Supervisors.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF DOYLESTOWN

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	Special Revenue Funds					Capital Projects Fund							Total
	Fire Fund	Parks and Recreation Fund	State Liquid Fuels Fund	Ambulance Fund	Community Service Fund	Capital Fund Raising Fund	Offsite Improvement Fund	Roads and Bridges Fund	Detention Basin Fund	Bike and Hike Fund	Open Space Land Preservation Fund	Debt Service Fund	
ASSETS													
Cash	\$ 6,762	\$ 369,973	\$ 467,293	\$ 1,327	\$ 21,546	\$ 242,257	\$ 404,224	\$ 13,849	\$ 38,300	\$ 12,445	\$ 272	\$ 147,002	\$ 1,725,250
Taxes receivable	1,092	655		328				873				1,529	4,477
Other receivables		69,402					283,295						352,697
Interfund receivable		1,267	106										1,373
TOTAL ASSETS	\$ 7,854	\$ 441,297	\$ 467,399	\$ 1,655	\$ 21,546	\$ 242,257	\$ 687,519	\$ 14,722	\$ 38,300	\$ 12,445	\$ 272	\$ 148,531	\$ 2,083,797
LIABILITIES													
Accounts payable	\$	\$ 10,306	\$ 20,391	\$	\$	\$	\$ 51,809	\$	\$	\$	\$	\$	\$ 82,506
Accrued payroll		10,553											10,553
Payroll liabilities		2,345	79										2,424
Other liabilities		155											155
TOTAL LIABILITIES	-	23,359	20,470	-	-	-	51,809	-	-	-	-	-	95,638
FUND BALANCES													
Restricted for:													
Public safety	7,854			1,655									9,509
Culture and recreation		417,938			21,546								439,484
Highways and streets			446,929										446,929
Debt service												148,531	148,531
Assigned to:													
Capital projects						242,257	635,710	14,722	38,300	12,445	272		943,706
TOTAL FUND BALANCES	7,854	417,938	446,929	1,655	21,546	242,257	635,710	14,722	38,300	12,445	272	148,531	1,988,159
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,854	\$ 441,297	\$ 467,399	\$ 1,655	\$ 21,546	\$ 242,257	\$ 687,519	\$ 14,722	\$ 38,300	\$ 12,445	\$ 272	\$ 148,531	\$ 2,083,797

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds					Capital Projects Fund							Total
	Fire Fund	Parks and Recreation Fund	State Liquid Fuels Fund	Ambulance Fund	Community Service Fund	Capital Fund Raising Fund	Offsite Improvement Fund	Roads and Bridges Fund	Detention Basin Fund	Bike and Hike Fund	Open Space Land Preservation Fund	Debt Service Fund	
REVENUES													
Real estate taxes	\$ 333,561	\$ 200,188	\$ 840	\$ 100,068	\$ 32	\$ 339	\$ 725	\$ 266,849	\$ 68	\$ 18	\$ 1	\$ 466,985	\$ 1,367,651
Interest earnings	104	702	840	46	32	339	725	261	68	18	1	309	3,445
Intergovernmental revenues		57,402	546,079				487,480						1,090,961
Charges for services		222,776				92,489	63,870						379,135
Contributions		43,248								1,520		82,399	127,167
TOTAL REVENUES	333,665	524,316	546,919	100,114	32	92,828	552,075	267,110	68	1,538	1	549,693	2,968,359
EXPENDITURES													
Public safety	332,422			105,972									438,394
Public works			374,165					3,636					377,801
Culture and recreation		659,763			729	52,232	3,159			300	3,650		719,833
Capital outlay		24,877					339,132	788,752					1,152,761
Debt service:												641,227	641,227
Principal												641,227	641,227
Interest and other charges												5,610	5,610
TOTAL EXPENDITURES	332,422	684,640	374,165	105,972	729	52,232	342,291	792,388	-	300	3,650	646,837	3,335,626
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,243	(160,324)	172,754	(5,858)	(697)	40,596	209,784	(525,278)	68	1,238	(3,649)	(97,144)	(367,267)
OTHER FINANCING SOURCES (USES)													
Operating transfers in (out)		200,000					(14,503)	540,000	(15,000)		3,650		714,147
Proceeds from sale of capital assets						10,000							10,000
TOTAL OTHER FINANCING SOURCES (USES)	-	200,000	-	-	-	10,000	(14,503)	540,000	(15,000)	-	3,650	-	724,147
NET INCREASE (DECREASE) IN FUND BALANCES	1,243	39,676	172,754	(5,858)	(697)	50,596	195,281	14,722	(14,932)	1,238	1	(97,144)	356,880
BALANCE AT BEGINNING OF YEAR	6,611	378,262	274,175	7,513	22,243	191,661	440,429	-	53,232	11,207	271	245,675	1,631,279
FUND BALANCE, ENDING	\$ 7,854	\$ 417,938	\$ 446,929	\$ 1,655	\$ 21,546	\$ 242,257	\$ 635,710	\$ 14,722	\$ 38,300	\$ 12,445	\$ 272	\$ 148,531	\$ 1,988,159

TOWNSHIP OF DOYLESTOWN

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2016

	Non-Uniformed Pension Plan	Police Pension Plan	Non-Uniformed Pension Plan Defined Contribution	Total
ASSETS				
Cash and cash equivalents	\$ 316,467	\$ 60,864	\$ 155,673	\$ 533,004
Due from non-uniformed to police plan	(2,311)	2,311		-
Investments - mutual funds	6,651,713	9,673,406		16,325,119
Prepaid pension expense	26,130	35,139		61,269
TOTAL ASSETS	6,991,999	9,771,720	155,673	16,919,392
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$ 6,991,999	\$ 9,771,720	\$ 155,673	\$ 16,919,392

See accompanying notes to basic financial statements

TOWNSHIP OF DOYLESTOWN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Non-Uniformed Pension Plan	Police Pension Plan	Non-Uniformed Pension Plan Defined Contribution	Total
ADDITIONS				
Contributions				
Employer	\$ 328,165	\$ 83,040	\$ 27,639	\$ 438,844
Employee	68,888	94,463	28,972	192,323
State aid		293,101		293,101
Total Contributions	<u>397,053</u>	<u>470,604</u>	<u>56,611</u>	<u>924,268</u>
Investment Income				
Interest and dividend income	86,407	97,882		184,289
Net appreciation (depreciation) in fair market value of investments	327,963	480,568	10,697	819,228
Total Investment Income (loss)	<u>414,370</u>	<u>578,450</u>	<u>10,697</u>	<u>1,003,517</u>
Less: Investment expenses	<u>(31,329)</u>	<u>(45,700)</u>		<u>(77,029)</u>
Net Investment Income (loss)	<u>383,041</u>	<u>532,750</u>	<u>10,697</u>	<u>926,488</u>
TOTAL ADDITIONS	<u>780,094</u>	<u>1,003,354</u>	<u>67,308</u>	<u>1,850,756</u>
DEDUCTIONS				
Administrative expenses	5,400	5,500	38	10,938
Benefits paid	306,319	464,623		770,942
Insurance premiums		6,005		6,005
TOTAL DEDUCTIONS	<u>311,719</u>	<u>476,128</u>	<u>38</u>	<u>787,885</u>
CHANGE IN NET POSITION	468,375	527,226	67,270	1,062,871
PLAN NET POSITION, BEGINNING	<u>6,523,624</u>	<u>9,244,494</u>	<u>88,403</u>	<u>15,856,521</u>
PLAN NET POSITION, ENDING	<u>\$ 6,991,999</u>	<u>\$ 9,771,720</u>	<u>\$ 155,673</u>	<u>\$ 16,919,392</u>

See accompanying notes to basic financial statements