

LOWER PROVIDENCE TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2016



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

LOWER PROVIDENCE TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2016

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	16
Statement of Activities	17
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	18
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
<i>Proprietary Funds</i>	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Basic Financial Statements	28

LOWER PROVIDENCE TOWNSHIP

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2016

	Page
Required Supplementary Information	
Budgetary Comparison Schedule (Budgetary Basis)	77
Note to the Budgetary Comparison Schedule	78
Police Pension Plan	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	79
Schedule of Police Pension Plan Contributions	80
Schedule of Police Pension Plan Investment Returns	81
Non-Uniformed Employees' Pension Plan	
Schedule of Changes in the Net Non-Uniformed Employees' Pension Plan Liability and Related Ratios	82
Schedule of Non-Uniformed Employees' Pension Plan Contributions	83
Schedule of Non-Uniformed Employees' Pension Plan Investment Returns	84
Postemployment Benefits Other Than Pension Funding Progress	85
Supplementary Information Section	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	86
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	87

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Lower Providence Township
Eagleville, Pennsylvania

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lower Providence Sewer Authority (discretely presented component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lower Providence Sewer Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Supervisors
Lower Providence Township
Eagleville, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Lower Providence Township 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 (GAAP).

Emphasis of Matter

For the year ended December 31, 2016, Lower Providence Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on pages 77 and 78, pension plan information on pages 79 through 84 and postemployment benefits other than pension funding progress on page 85 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 Lower Providence Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Oaks, Pennsylvania
June 5, 2017

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

Our discussion and analysis of Lower Providence Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Township's financial statements, which begin with the statement of net position and the accompanying notes to those statements. Responsibility for both the accuracy of the presented data and the thoroughness of the presentation rests with the Township. We believe that the data, as presented herein, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the Township as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Township's financial affairs have been included.

PROFILE OF LOWER PROVIDENCE TOWNSHIP

The Township is a township of the Second Class, organized under the laws of the Commonwealth of Pennsylvania, incorporated in 1805 and governed by a Board of Supervisors consisting of five elected residents. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations and making appointments for various advisory boards and commissions.

FINANCIAL HIGHLIGHTS

- The net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources) of the Township as of December 31, 2016, was \$12,253,930. Of this amount, \$12,273,904 represents governmental net position and \$(19,974) represents business-type net position. Of the net position balance, \$653,301 is unrestricted and is available to meet the Township's ongoing obligations in accordance with the Township's policies.
- The Township's net position increase by \$819,008 in 2016. The governmental net position increase by \$818,828 and the business-type net position increased by \$180.
- As of December 31, 2016, unassigned fund balance for the General Fund was \$3,576,282 or 37% of total General Fund expenditures, excluding transfers out.
- The Township's total assets at December 31, 2016 and 2015, were \$23,669,807, and \$22,899,527, respectively. Of these amounts, governmental activity assets at December 31, 2016 and 2015, were \$23,689,781, and \$22,919,681, and business-type activity assets were \$(19,974) and \$(20,154), respectively. Fiduciary Fund assets were \$19,282,474, and \$18,504,428 at December 31, 2016 and 2015, respectively.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

- The Township's total liabilities and deferred inflows of resources at December 31, 2016 and 2015, were \$12,531,187 and \$12,984,366, respectively, all of which were governmental activity liabilities and deferred inflows of resources (including general obligation notes payable of \$5,608,350 and \$6,084,000 at December 31, 2016 and 2015, respectively). Fiduciary Fund total liabilities were \$492,503 and \$640,132 December 31, 2016 and 2015, respectively.
- Revenues for the years ended December 31, 2016 and 2015, totaled \$13,301,329 and \$13,136,560, respectively. The major sources of revenue for the Township for the year ended 2016 were real estate taxes totaling \$2,801,212 and earned income taxes totaling \$5,342,653. The major sources of revenue for the Township for the year ended 2015 were real estate taxes totaling \$2,819,472 and earned income taxes totaling \$5,477,468.
- Expenditures for the years ended December 31, 2016 and 2015, totaled \$12,482,321 and \$12,271,257, respectively. The major expenditures for the year ended 2016 were as follows: general government totaling \$1,426,262, police, health and public safety totaling \$4,205,716, roads and parks totaling \$2,495,204 and police and employee pension and benefit costs totaling \$2,982,354. The major expenditures for the year ended 2015 were as follows: general government totaling \$1,287,900, health and public safety totaling \$4,226,122, roads and parks totaling \$2,639,246 and police and employee pension and benefit costs totaling \$2,742,736.
- The Township's long-term liabilities outstanding at December 31, 2016, were \$10,632,469, a decrease of \$354,405 from the year 2015. The entire amount outstanding represents governmental activity long-term liabilities.

OVERVIEW OF THE FINANCIAL REPORT

The Township's financial statements are composed of the Management's Discussion and Analysis (MD&A) and the basic financial statements. The MD&A provides analysis and overview of the Township's financial activities. The basic financial statements include four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements and (4) required supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to the private-sector business. The statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The government-wide financial statements include two statements: a statement of net position and a statement of activities. Fiduciary activities, whose resources are not available to finance Township programs, are excluded from these statements.

Statement of Net Position presents the Township's total assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

Statement of Activities presents information showing how the Township's net position changed during the current year. All revenues and expenses are reported in this statement regardless of the timing of cash flows. The focus of this statement is on the net cost of providing various services to the citizens of the Township.

Both of these government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general administration, public safety, public works and culture and recreation. The business-type activities of the Township include maintenance and operation of the Club at Shannondell and the Casselberry House and trash collection and recycling.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund Financial Statements

The Township's fund financial statements are groupings of related self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements are prepared using the economic resources measurement focus, reporting all inflows, outflows and balances affecting the Township's net position. All of the funds of the Township can be divided into three categories as follows:

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 Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is useful in evaluating the Township's near-term financing decisions.

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

The Township maintains 12 individual Governmental Funds: General, Library, Parks and Recreation Operating, State Liquid Fuels Highway Aid, Tree, Capital Projects, Unrestricted Capital, Highway Improvement Capital Reserve, Liquid Fuels Funded Loans Fund, Parks and Recreation Capital Reserve, Equipment Replacement and Debt Service Funds. The following funds are reported as major Governmental Funds: General, Capital Projects, Unrestricted Capital and Highway Improvement Capital Reserve Funds. All other Governmental Funds are reported in the aggregate as "Other Governmental Funds." Information on these funds is presented in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances.

The Governmental Funds financial statements can be found on pages 18 to 22 of this report.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

Proprietary Funds - Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for solid waste and municipal authority activities.

Proprietary Fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Solid Waste Fund and the Municipal Authority, both of which are considered to be major funds of the Township.

The Proprietary Fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the activities of the Township. The economic resources measurement focus and the accrual basis of accounting are used for Fiduciary Funds.

The Township Fiduciary Funds include the following: Escrow Fund, Other Postemployment Benefits Trust Fund, Police Pension Fund and Non-Uniform Pension Fund. Fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

The Fiduciary Fund financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the financial statements.

The notes to the financial statements can be found on pages 28 to 76 of this report.

Required Supplementary Information

The MD&A (pages 5 to 15), budgetary comparison schedule (pages 77 and 78), pension plan information (pages 79 through 84) and schedule of funding progress (page 85) present financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as the "basic financial statements").

LOWER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The statement of net position and the statement of activities report information about the Township as a whole and about its activities to measure the results of the year's activities.

Government-Wide Financial Statements

The following table reflects the condensed comparative statements of net position.

Statements of Net Position
December 31, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
Current and other assets	\$ 6,480,802	\$ 5,773,737	\$ 28,285	\$ 28,854	\$ 6,509,087	\$ 5,802,591
Capital assets	<u>17,208,979</u>	<u>17,145,944</u>	-	-	<u>17,208,979</u>	<u>17,145,944</u>
TOTAL ASSETS	<u>23,689,781</u>	<u>22,919,681</u>	<u>28,285</u>	<u>28,854</u>	<u>23,718,066</u>	<u>22,948,535</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>1,115,310</u>	<u>1,519,761</u>	-	-	<u>1,115,310</u>	<u>1,519,761</u>
LIABILITIES						
Current and other liabilities	1,806,122	1,493,391	48,259	49,008	1,854,381	1,542,399
Long-term liabilities	<u>10,632,469</u>	<u>10,986,874</u>	-	-	<u>10,632,469</u>	<u>10,986,874</u>
TOTAL LIABILITIES	<u>12,438,591</u>	<u>12,480,265</u>	<u>48,259</u>	<u>49,008</u>	<u>12,486,850</u>	<u>12,529,273</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>92,596</u>	<u>504,101</u>	-	-	<u>92,596</u>	<u>504,101</u>
NET POSITION						
Net investment in capital assets	11,600,629	11,061,944	-	-	11,600,629	11,061,944
Restricted	168,268	88,696	-	-	168,268	88,696
Unrestricted	<u>505,007</u>	<u>304,436</u>	<u>(19,974)</u>	<u>(20,154)</u>	<u>485,033</u>	<u>284,282</u>
TOTAL NET POSITION	<u>\$ 12,273,904</u>	<u>\$ 11,455,076</u>	<u>\$ (19,974)</u>	<u>\$ (20,154)</u>	<u>\$ 12,253,930</u>	<u>\$ 11,434,922</u>

For more detailed information, see the statement of net position (page 16).

The largest portion of the Township's net position, \$11,600,629 or 95%, represents net investment in capital assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This portion of net position increased by \$538,685 or 5% from the prior year.

Net position is shown as restricted if it can only be used for a specified purpose. Net position of \$168,268 is restricted at December 31, 2016. Restricted net position increased by \$79,572 or 89% over the prior year.

LOWER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

The remaining portion of net position, \$505,007 or 4%, represents an additional component of total net position. This balance reflects the unrestricted financial position of the Township and may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township's changes in net position for the years ended December 31, 2016 and 2015, are presented below.

Changes in Net Position
Years Ended December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Fees, fines and charges for services	\$ 1,878,230	\$ 1,806,580	\$ 180	\$ 270	\$ 1,878,410	\$ 1,806,850
Operating grants and contributions	1,543,223	1,319,651	-	-	1,543,223	1,319,651
General revenues						
Taxes	9,267,382	9,358,984	-	-	9,267,382	9,358,984
Investment earnings	15,940	8,329	-	-	15,940	8,329
Contributions	28,199	35,871	-	-	28,199	35,871
Gain on sale of assets	7,541	31,008	-	-	7,541	31,008
Miscellaneous	560,634	575,867	-	-	560,634	575,867
TOTAL REVENUES	13,301,149	13,136,290	180	270	13,301,329	13,136,560
EXPENSES						
General government	1,426,262	1,287,900	-	-	1,426,262	1,287,900
Police, health and public safety	4,205,716	4,226,122	-	-	4,205,716	4,226,122
Roads and parks	2,495,204	2,639,246	-	-	2,495,204	2,639,246
Police and employee pension and benefit costs	2,982,354	2,742,736	-	-	2,982,354	2,742,736
Planning and code enforcement	300,336	306,420	-	-	300,336	306,420
Interest on long-term debt	133,875	166,415	-	-	133,875	166,415
Depreciation, unallocated	938,574	902,288	-	-	938,574	902,288
Solid Waste Fund	-	-	-	130	-	130
TOTAL EXPENSES	12,482,321	12,271,127	-	130	12,482,321	12,271,257
CHANGE IN NET POSITION	818,828	865,163	180	140	819,008	865,303
NET POSITION AT BEGINNING OF YEAR	11,455,076	10,589,913	(20,154)	(20,294)	11,434,922	10,569,619
NET POSITION AT END OF YEAR	\$ 12,273,904	\$ 11,455,076	\$ (19,974)	\$ (20,154)	\$ 12,253,930	\$ 11,434,922

For more detailed information, see the statement of activities (page 17).

Governmental Activities - Governmental activities increased the Township's net position by \$818,828, for a 7% increase in governmental activities net position in 2016, Governmental activities are represented by the following funds: General, Library, Parks and Recreation Operating, State Liquid Fuels Highway Aid, Tree, Capital Projects, Unrestricted Capital, Highway Improvement Capital Reserve, PIB Loan, Parks and Recreation Capital Reserve, Equipment Replacement and Debt Service.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

For the year ended December 31, 2016 revenues from governmental activities totaled \$13,301,149, an increase of \$164,859 or 1%, compared to the year 2015. Tax revenues of \$9,267,382, comprised of real estate, per capita, real estate transfer, earned income, local services and amusement taxes, represent 70% of revenues. The Township's earned income and real estate taxes are the primary revenue sources generating \$5,342,653 and \$2,801,212 for 2016, a decrease of \$134,815 and \$18,260 from 2015, respectively.

For the year ended December 31, 2016, expenses represented by governmental activities include: general government, public safety, health and human services, sanitation, highways and streets, other public works, culture and recreation and community development. Expenses for governmental activities totaled \$12,482,321, an increase of \$211,194 or 1.7%, as compared to the year 2015.

Business-Type Activities - Business-type activities increased the Township's net position by \$180, which is an increase of less than .9% in business-type net position in 2016. Business-type activities are represented by the Solid Waste Fund.

Solid Waste Fund - The Township was responsible for the billing of trash fees. J. P. Mascaro & Sons assumed this responsibility March 1, 2005.

For the year ended December 31, 2016, revenues from business-type activities totaled \$180, a decrease of \$90 or 33% compared to 2015.

For the year ended December 31, 2016, expenses for business-type activities totaled \$0, a decrease of \$130 or 100% as compared to the year 2015.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S INDIVIDUAL FUNDS

Governmental Funds

The Governmental Funds are comprised of the General, Library, Parks and Recreation Operating, State Liquid Fuels Highway Aid, Tree, Capital Projects, Unrestricted Capital, Highway Improvement Capital Reserve, PIB Loan, Parks and Recreation Capital Reserve, Equipment Replacement and Debt Service Funds. The following highlights occurred within these funds during 2016.

- The General Fund reported a fund balance of \$3,592,192 as of December 31, 2016. This amount represents an increase in fund balance of \$533,116 or 17% from 2015. The components of the \$3,592,192 fund balance are as follows: \$15,910 nonspendable and \$3,576,282 unassigned. In 2016, the General Fund reported revenues of \$10,344,867. This is an increase of \$33,458 or .3% as compared to 2015. In 2016, the General Fund reported expenses of \$9,667,624 which excludes interfund transfers out of \$144,127. This is an increase of \$43,257, accounting for .4% as compared to 2015.
- The Capital Projects Fund reported a fund balance of \$216,797 as of December 31, 2016. This amount represents an increase in fund balance of \$40,840 or 23% from 2015. \$35,780 of the fund balance is nonspendable and the remaining \$181,017 is assigned. In 2016, the Capital Projects Fund reported revenues of \$942, which excludes proceeds from the issuance of long-term debt of \$599,350 and interfund transfers in of \$294,878. This is a decrease of \$122,616 or 99% as compared to 2015. In 2016, the Capital Projects Fund reported expenses of \$851,832, which excludes interfund transfers out of \$2,498. This is a decrease of \$80,664 or 9% as compared to 2015.

LOWER PROVIDENCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

- The Unrestricted Capital Fund reported a fund balance of \$863,079 as of December 31, 2016. This amount represents a decrease in fund balance of \$141,581 or 14% from 2015. The entire \$863,079 fund balance is assigned. In 2016, the Unrestricted Capital Fund reported revenues of \$1,849. This is an increase of \$357 or 24% as compared to 2015. In 2016, the Unrestricted Capital Fund reported interfund transfers out of \$143,430.
- The Highway Improvement Capital Reserve Fund reported a fund balance of (\$175) as of December 31, 2016. This amount represents an increase in fund balance of \$1 or 0.6% from 2015. The entire (\$175) fund balance is unassigned. In 2016, the Highway Improvement Capital Reserve Fund reported revenues of \$51,666. This is an increase of \$43,215 or 511% as compared to 2015. In 2016, the Highway Improvement Capital Reserve Fund reported expenses of \$51,665. This is an increase of \$43,213 or 511% as compared to 2015.
- The Other Governmental Funds reported a fund balance of \$521,899 as of December 31, 2016. This amount represents an increase in fund balance of \$125,994 or 32% from 2015. In 2016, the Other Governmental Funds reported revenues of \$2,940,672 which excludes an interfund transfer in of \$642,891 and proceeds from the sale of capital assets of \$5,453. This is an increase of \$343,549 or 13% as compared to 2015. In 2016, the Other Governmental Funds reported expenses of \$2,815,308, which excludes an interfund transfer out of \$647,714. This is an increase of \$182,774 or 7% as compared to 2015.

Proprietary Funds

The Proprietary Funds provide the same type of information found in the government-wide financial statements. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for solid waste and municipal authority operations. Please refer to the business-type activities section listed previously for discussion on the activity in the Proprietary Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved 2016 General Fund budget included total revenues of \$9,691,534 and total expenditures of \$9,998,465, including interfund transfers out of \$140,142. They were for supplemental appropriations; \$10,320 for technology and \$99,500 for police vehicles.

For the year ended December 31, 2016, expenditures were less than the final budgeted amount by \$330,841 and actual resources available for appropriations were greater than the final budgeted amount by \$653,333. This resulted in overall revenues exceeding expenditures by \$533,116 in the General Fund in 2016.

LOWER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Overall, financial performance of the General Fund in 2016 was favorable when compared to budget. Real estate tax revenues, per capita tax, real estate transfer tax revenues, earned income tax, local services, licenses and permits, fines, interest and rents, intergovernmental revenue, charges for services, contributions, and miscellaneous revenues exceeded budget. Amusement taxes and refund of prior year expense were under budget. General government, sanitation, other public works, employee pension and benefit costs, miscellaneous expense and capital outlay were all favorable in relation to the budget. Public safety, highways and streets, community development and refunds of prior year revenue were unfavorable in relation to the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2016 and 2015, totals \$17,208,979 and \$17,145,944 (net of accumulated depreciation), respectively. The Township's investment in capital assets includes land and improvements, buildings and improvements, furniture, machinery and equipment and infrastructure. Infrastructure includes roads, bridges, storm water lines and traffic signals.

This year's major additions included:

Vehicles	\$365,670
Paving projects	\$458,622
Gunite projects.....	\$18,000
Equipment.....	\$45,600
Building additions.....	\$28,609
Park improvements.....	\$83,020

Governmental Activities

Capital Assets at December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CAPITAL ASSETS NOT BEING DEPRECIATED		
Land	\$ 10,665,637	\$ 10,665,637
CAPITAL ASSETS BEING DEPRECIATED		
Land improvements	401,460	353,369
Building and building improvements	2,741,366	2,807,470
Furniture, machinery and equipment	969,087	751,330
Infrastructure	2,431,429	2,568,138
	<u>6,543,342</u>	<u>6,480,307</u>
TOTAL CAPITAL ASSETS	\$ <u>17,208,979</u>	\$ <u>17,145,944</u>

There is no capital asset activity for business-type activities.

All assets of the primary government are depreciated using the straight-line method.

Additional information on the Township's capital assets can be found in Note H to the financial statements.

LOWER PROVIDENCE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Long-Term Debt

At December 31, 2016, the Township had \$5,608,350 of general obligation debt outstanding. This was a decrease of \$475,650 or 8% from the previous year. The following table details the activity related to the general obligation debt outstanding during 2016:

Governmental Activities
General Obligation Debt at December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
GENERAL OBLIGATION NOTES		
Series of 2006	\$ 1,051,000	\$ 1,201,000
Series of 2008	2,298,000	2,545,000
Series of 2010A	-	473,000
Series of 2010B	150,000	150,000
Series of 2013	184,000	232,000
Series of 2013A	373,000	423,000
Series of 2014	396,000	490,000
Series of 2014A	430,000	430,000
GON, Series 2015	127,000	140,000
PIB 2016 Loan	<u>599,350</u>	<u>-</u>
	<u>\$ 5,608,350</u>	<u>\$ 6,084,000</u>

Additional information on the Township's debt can be found in Note I to the financial statements.

There is no debt for business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Lower Providence Township, Montgomery County, Pennsylvania, is located along several major transportation corridors, which include U.S. Route 422, U.S. Route 363 and Ridge Pike. One of Montgomery County's largest industrial parks, Park Pointe at Lower Providence Business Park (formerly Valley Forge Corporate Center) is located in the Township. Over 4,500 individuals work in this Business Park.

Lower Providence Township remains steadfast in its revitalization efforts for Park Pointe at Lower Providence and the Ridge Pike Corridor, diligently working to retain and expand our employment base. The transportation improvements to the Route 422 corridor are critical to this effort, and the Township remains active in the U.S. 422 Corridor Coalition. These improvements are under construction at a cost of \$16.5 million. A full service interchange at the Trooper Road location of 422 opened on December 1, 2015. Correspondingly, the Township's Business Park is already experiencing the bidding up of property values in the Business Park due to the increased transportation access that the project will accommodate. Furthermore, the project has already fostered rejuvenation of previously shelved development projects in the Business Park.

The Township serves an area of roughly 14.77 square miles and contains an approximate population of 25,000 residents with a median residential home price of \$296,000.

LOWER PROVIDENCE TOWNSHIP
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Collection of the earned income tax is a good indicator of local economic conditions. For 2016, the Township's collection of this tax was \$5,342,653 vs. \$5,477,468 in 2015, a 2% decrease over 2015.

The Township has continued to pursue redevelopment activities and foster regional partnerships. Ever frugal with taxpayer dollars, the Township views the economic outlook with caution and is taking steps during this soft period to better position itself for economic growth and development.

	Lower Providence Township	Montgomery County	Pennsylvania	United States
Per capita income	\$ 77,485	\$ 40,482	\$ 27,741	\$ 27,385
Median family income	105,964	97,264	65,050	63,105

Source: U.S. Census Bureau (Selected Economic Characteristics: 2010-2012)

The financial and economic indicators for the Township continue to be moderately conservative for 2017. A Five-Year Capital Budget totaling \$5,102,198 has been developed in order to address road, infrastructure and equipment needs. Roads have been identified and prioritized for resurfacing for the next five years as part of the five-year budget. Furthermore, the Five-Year Capital Budget identifies the Township's Vehicle and Technology replacement needs and individual departmental schedules have been identified. In each case, the Five-Year Capital Budget provides direct appropriation or financing to fund the capital needs. As in the past, the Township must aggressively manage all respective funds exploring all avenues for third-party funding, grants, appropriations and sponsorships to ensure that Lower Providence Township is in an excellent financial position thereby maintaining our AA (Standard and Poor's) and restored an Aa2 (Moody's) bond ratings.

CONTACTING THE TOWNSHIP’S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township’s citizens, taxpayers, customers and creditors with a general overview of the Township’s finances and to demonstrate the Township's accountability for the funds it receives and disburses. If you have any questions about this report or need additional financial information, contact the Accounting Manager at 100 Parklane Drive, Eagleville, PA 19403.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Totals	Unit Sewer Authority
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 5,860,042	\$ -	\$ 5,860,042	\$ 5,864,908
Restricted	-	-	-	125
Investments	-	-	-	751,234
Accounts receivable, net	449,504	28,285	477,789	1,116,071
Taxes receivable, net	71,307	-	71,307	-
Prepaid expenses	51,690	-	51,690	46,306
Capital assets				
Land	10,665,637	-	10,665,637	280,206
Land improvements	1,101,384	-	1,101,384	-
Buildings and improvements	4,642,143	-	4,642,143	-
Furniture, machinery and equipment	3,410,659	-	3,410,659	378,889
Infrastructure	7,591,723	-	7,591,723	31,531,288
Accumulated depreciation	(10,202,567)	-	(10,202,567)	(16,084,521)
Other assets	-	-	-	10,950
Internal balances	48,259	(48,259)	-	-
TOTAL ASSETS	23,689,781	(19,974)	23,669,807	23,895,456
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	-	-	452,975
Deferred pension outflows - contributions	1,115,310	-	1,115,310	183,880
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,115,310	-	1,115,310	636,855
LIABILITIES				
Accounts payable and accrued expenses	270,310	-	270,310	87,895
Accrued salaries and benefits	227,094	-	227,094	129,447
Unearned revenue	598,036	-	598,036	-
Long-term liabilities				
Portion due or payable within one year				
General obligation notes payable	710,682	-	710,682	684,000
Compensated absences	-	-	-	3,271
Portion due or payable after one year				
Premium on bonds payable	-	-	-	45,571
General obligation notes payable	4,897,668	-	4,897,668	3,561,000
Capital leases	-	-	-	-
Compensated absences	228,366	-	228,366	-
Net pension liability	3,422,328	-	3,422,328	167,331
Other postemployment benefits	2,084,107	-	2,084,107	-
TOTAL LIABILITIES	12,438,591	-	12,438,591	4,678,515
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows - actuarial	92,596	-	92,596	2,915
TOTAL DEFERRED INFLOWS OF RESOURCES	92,596	-	92,596	2,915
NET POSITION				
Net investment in capital assets	11,600,629	-	11,600,629	11,860,862
Restricted	168,268	-	168,268	125
Unrestricted	505,007	(19,974)	485,033	7,989,894
TOTAL NET POSITION	\$ 12,273,904	\$ (19,974)	\$ 12,253,930	\$ 19,850,881

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 1,426,262	\$ -	\$ -	\$ -
Police, health and public safety	4,205,716	639,236	315,647	-
Roads and parks	2,495,204	551,231	868,855	-
Police and employee pension and benefit costs	2,982,354	420,088	-	-
Planning and code enforcement	300,336	267,675	358,721	-
Interest on long-term debt	133,875	-	-	-
Depreciation, unallocated	938,574	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>12,482,321</u>	<u>1,878,230</u>	<u>1,543,223</u>	<u>-</u>
Business-type activities				
Solid Waste Fund	-	180	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 12,482,321</u>	<u>\$ 1,878,410</u>	<u>\$ 1,543,223</u>	<u>\$ -</u>
COMPONENT UNIT				
Sewer Authority	<u>\$ 4,911,524</u>	<u>\$ 3,655,079</u>	<u>\$ -</u>	<u>\$ 37,584</u>
GENERAL REVENUES				
Real estate taxes				
Per capita taxes				
Real estate transfer taxes				
Earned income taxes				
Local services taxes				
Amusement taxes				
Investment income				
Contributions				
Gain on sale of capital assets				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGES IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Sewer Authority
\$ (1,426,262)	\$ -	\$ (1,426,262)	\$ -
(3,250,833)	-	(3,250,833)	-
(1,075,118)	-	(1,075,118)	-
(2,562,266)	-	(2,562,266)	-
326,060	-	326,060	-
(133,875)	-	(133,875)	-
(938,574)	-	(938,574)	-
<u>(9,060,868)</u>	<u>-</u>	<u>(9,060,868)</u>	<u>-</u>
-	180	180	-
<u>(9,060,868)</u>	<u>180</u>	<u>(9,060,688)</u>	<u>-</u>
			<u>(1,218,861)</u>
2,801,212	-	2,801,212	-
67,865	-	67,865	-
523,754	-	523,754	-
5,342,653	-	5,342,653	-
513,521	-	513,521	-
18,377	-	18,377	-
15,940	-	15,940	30,728
28,199	-	28,199	-
7,541	-	7,541	-
560,634	-	560,634	-
<u>9,879,696</u>	<u>-</u>	<u>9,879,696</u>	<u>30,728</u>
818,828	180	819,008	(1,188,133)
<u>11,455,076</u>	<u>(20,154)</u>	<u>11,434,922</u>	<u>21,039,014</u>
<u>\$ 12,273,904</u>	<u>\$ (19,974)</u>	<u>\$ 12,253,930</u>	<u>\$ 19,850,881</u>

LOWER PROVIDENCE TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Unrestricted Capital Fund</u>
ASSETS			
Cash and cash equivalents	\$ 3,606,046	\$ 372,666	\$ 863,079
Accounts receivable	405,891	-	-
Taxes receivable	63,015	-	-
Prepaid expenses	15,910	35,780	-
Due from other funds	975	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u><u>4,091,837</u></u>	\$ <u><u>408,446</u></u>	\$ <u><u>863,079</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 48,390	\$ -	\$ -
Deposits	96,984	-	-
Accounts payable and accrued expenses	85,728	166,649	-
Accrued salaries and benefits	210,478	-	-
Unearned revenue	-	25,000	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	441,580	191,649	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	58,065	-	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Nonspendable	15,910	35,780	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	181,017	863,079
Unassigned	3,576,282	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	3,592,192	216,797	863,079
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u><u>4,091,837</u></u>	\$ <u><u>408,446</u></u>	\$ <u><u>863,079</u></u>

See accompanying notes to the basic financial statements.

Highway Improvement Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 535,951	\$ 530,559	\$ 5,908,301
42,423	1,190	449,504
-	8,292	71,307
-	-	51,690
-	48,390	49,365
<u>\$ 578,374</u>	<u>\$ 588,431</u>	<u>\$ 6,530,167</u>
\$ -	\$ 975	\$ 49,365
-	-	96,984
5,513	12,420	270,310
-	16,616	227,094
573,036	-	598,036
<u>578,549</u>	<u>30,011</u>	<u>1,241,789</u>
-	36,521	94,586
-	-	51,690
-	168,268	168,268
-	336,116	336,116
-	18,180	1,062,276
(175)	(665)	3,575,442
<u>(175)</u>	<u>521,899</u>	<u>5,193,792</u>
<u>\$ 578,374</u>	<u>\$ 588,431</u>	<u>\$ 6,530,167</u>

LOWER PROVIDENCE TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 5,193,792
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,665,637
Land improvements	1,101,384
Buildings and improvements	4,642,143
Furniture, machinery and equipment	3,410,659
Infrastructure	7,591,723
Accumulated depreciation	(10,202,567)
<p>Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as an asset in the funds. This amount increases taxes receivable in the statement of net position.</p>	
	191,570
<p>Deferred outflows of resources related to pension activities are not financial resources and therefore not reported in the Governmental Funds</p>	
	1,115,310
<p>Deferred inflows of resources related to pension activities are not financial resources and therefore not reported in the Governmental Funds</p>	
	(92,596)
<p>Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2015, are as follows:</p>	
General obligation notes payable	(5,608,350)
Net pension liability	(3,422,328)
Compensated absences	(228,366)
Other postemployment benefits	<u>(2,084,107)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,273,904</u>

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Unrestricted Capital Fund</u>
REVENUES			
Taxes			
Real estate	\$ 1,459,064	\$ -	\$ -
Per capita	67,865	-	-
Real estate transfer	523,754	-	-
Earned income	5,342,653	-	-
Local services	513,521	-	-
Amusement	18,377	-	-
Licenses and permits	557,383	-	-
Fines	133,106	-	-
Interest and rents	16,141	942	1,849
Intergovernmental	677,494	-	-
Charges for services	1,011,124	-	-
Contributions	4,000	-	-
Refund of prior year expense	1,989	-	-
Miscellaneous	18,396	-	-
	<u>10,344,867</u>	<u>942</u>	<u>1,849</u>
TOTAL REVENUES FORWARD			
EXPENDITURES			
Current			
General government	1,392,658	-	-
Public safety	3,873,431	-	-
Health and human services	5,500	-	-
Public works			
Sanitation	17,937	-	-
Highways and streets	1,163,657	190,264	-
Other	3,758	-	-
Culture and recreation	-	-	-
Community development	291,438	-	-
Employee pension and benefit costs	2,845,757	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Refund of prior year revenue	65,965	-	-
Miscellaneous	7,523	-	-
Capital outlay	-	661,568	-
	<u>-</u>	<u>661,568</u>	<u>-</u>
TOTAL EXPENDITURES FORWARD			
	<u>\$ 9,667,624</u>	<u>\$ 851,832</u>	<u>\$ -</u>

Highway Improvement Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,386,420	\$ 2,845,484
-	-	67,865
-	-	523,754
-	-	5,342,653
-	-	513,521
-	-	18,377
-	-	557,383
-	-	133,106
-	102,308	121,240
42,423	819,890	1,539,807
9,243	567,974	1,588,341
-	28,199	32,199
-	1,837	3,826
-	34,044	52,440
51,666	2,940,672	13,339,996
-	-	1,392,658
-	11,812	3,885,243
-	-	5,500
-	-	17,937
-	34,501	1,388,422
-	-	3,758
-	1,456,752	1,456,752
-	-	291,438
-	64,695	2,910,452
-	1,075,000	1,075,000
-	133,875	133,875
-	4,629	70,594
-	34,044	41,567
51,665	-	713,233
\$ <u>51,665</u>	\$ <u>2,815,308</u>	\$ <u>13,386,429</u>

LOWER PROVIDENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Unrestricted Capital Fund</u>
REVENUES			
TOTAL REVENUES FORWARDED	\$ 10,344,867	\$ 942	\$ 1,849
EXPENDITURES			
TOTAL EXPENDITURES FORWARDED	<u>9,667,624</u>	<u>851,832</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>677,243</u>	<u>(850,890)</u>	<u>1,849</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of long-term debt	-	599,350	-
Transfers in	-	294,878	-
Transfers out	<u>(144,127)</u>	<u>(2,498)</u>	<u>(143,430)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(144,127)</u>	<u>891,730</u>	<u>(143,430)</u>
NET CHANGE IN FUND BALANCES	533,116	40,840	(141,581)
FUND BALANCES AT BEGINNING OF YEAR	<u>3,059,076</u>	<u>175,957</u>	<u>1,004,660</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,592,192</u>	<u>\$ 216,797</u>	<u>\$ 863,079</u>

See accompanying notes to the basic financial statements.

Highway Improvement Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$ 51,666	\$ 2,940,672	\$ 13,339,996
<u>51,665</u>	<u>2,815,308</u>	<u>13,386,429</u>
<u>1</u>	<u>125,364</u>	<u>(46,433)</u>
-	5,453	5,453
-	-	599,350
-	642,891	937,769
<u>-</u>	<u>(647,714)</u>	<u>(937,769)</u>
<u>-</u>	<u>630</u>	<u>604,803</u>
1	125,994	558,370
<u>(176)</u>	<u>395,905</u>	<u>4,635,422</u>
<u>\$ (175)</u>	<u>\$ 521,899</u>	<u>\$ 5,193,792</u>

LOWER PROVIDENCE TOWNSHIP

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 558,370

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 by which capital outlays (\$999,521) exceeds depreciation (\$938,574) in the current period. 60,947

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year. (44,272)

Bond proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds, but reduces the liability in the statement of net position. This is the amount of principal repayment (\$1,075,000) that exceeded proceeds from debt obligations (\$599,350). 475,650

Differences in accounting for disposals of capital assets in the Governmental funds 2,088

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Some capital additions were financed through capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. This is the amount of the current year capital lease principal repayment.

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Compensated absences	(28,174)
Pension plan expense	52,695
Other post employment benefits (OPEB) obligation	(258,476)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 818,828

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2016

	<u>Solid Waste Fund</u>
ASSETS	
CURRENT ASSETS	
Accounts receivable, net	\$ <u>28,285</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Due to other funds	\$ <u>48,259</u>
NET POSITION	
Unrestricted	\$ <u>(19,974)</u>

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Solid Waste Fund</u>
OPERATING REVENUES	
Collections	\$ 180
OPERATING EXPENSES	
Refund of prior year revenues	<u>-</u>
OPERATING INCOME AND CHANGE IN NET POSITION	180
NET POSITION AT BEGINNING OF YEAR	<u>(20,154)</u>
NET POSITION AT END OF YEAR	<u>\$ (19,974)</u>

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	<u>Solid Waste Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 749
Other payments	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>749</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal activity, payments to other funds	<u>(749)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 180
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in accounts receivable, net	<u>569</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 749</u></u>

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Escrow Fund</u>	<u>Other Postemployment Benefits Trust Fund</u>
ASSETS		
Cash and cash equivalents	\$ 393,853	\$ 66,210
Investments, restricted	-	1,244,032
Due from other funds	-	-
Other receivables, unrestricted	75,654	-
Prepaid benefits	-	-
TOTAL ASSETS	<u>469,507</u>	<u>1,310,242</u>
LIABILITIES		
Deposits	3,000	-
Accounts payable	11,062	-
Due to other funds	-	-
Other current liabilities	455,445	-
TOTAL LIABILITIES	<u>469,507</u>	<u>-</u>
NET POSITION		
Held in trust for pension benefits and other purposes	\$ <u>-</u>	\$ <u>1,310,242</u>

See accompanying notes to the basic financial statements.

<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total Fiduciary Funds</u>
\$ 353,676	\$ 120,946	\$ 934,685
12,806,873	4,119,569	18,170,474
22,996	-	22,996
-	-	75,654
62,053	16,612	78,665
<u>13,245,598</u>	<u>4,257,127</u>	<u>19,282,474</u>
-	-	3,000
-	-	11,062
-	22,996	22,996
-	-	455,445
<u>-</u>	<u>22,996</u>	<u>492,503</u>
\$ <u><u>13,245,598</u></u>	\$ <u><u>4,234,131</u></u>	\$ <u><u>18,789,971</u></u>

LOWER PROVIDENCE TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Other Postemployment Benefits Trust Fund	Police Pension Fund	Non-Uniform Pension Fund	Total Fiduciary Funds
ADDITIONS				
Contributions				
Employer	\$ -	\$ 630,038	\$ -	\$ 630,038
Employee	-	61,204	4,677	65,881
State aid	-	103,571	255,150	358,721
	<u>-</u>	<u>794,813</u>	<u>259,827</u>	<u>1,054,640</u>
Investment earnings				
Investment income	29,356	286,916	92,602	408,874
Net increase in fair value of investments	68,966	723,202	237,111	1,029,279
TOTAL INVESTMENT EARNINGS	<u>98,322</u>	<u>1,010,118</u>	<u>329,713</u>	<u>1,438,153</u>
Investment expense	(4,441)	(45,107)	(13,702)	(63,250)
NET INVESTMENT EARNINGS	<u>93,881</u>	<u>965,011</u>	<u>316,011</u>	<u>1,374,903</u>
TOTAL ADDITIONS	<u>93,881</u>	<u>1,759,824</u>	<u>575,838</u>	<u>2,429,543</u>
DEDUCTIONS				
Administrative	-	-	2,938	2,938
Actuarial fees	-	5,913	5,363	11,276
Insurance	72,739	5,350	-	78,089
Lump sum drop payments	-	478,179	-	478,179
Benefits	-	744,640	188,746	933,386
TOTAL DEDUCTIONS	<u>72,739</u>	<u>1,234,082</u>	<u>197,047</u>	<u>1,503,868</u>
CHANGE IN NET POSITION	21,142	525,742	378,791	925,675
NET POSITION AT BEGINNING OF YEAR	<u>1,289,100</u>	<u>12,719,856</u>	<u>3,855,340</u>	<u>17,864,296</u>
NET POSITION AT END OF YEAR	<u>\$ 1,310,242</u>	<u>\$ 13,245,598</u>	<u>\$ 4,234,131</u>	<u>\$ 18,789,971</u>

See accompanying notes to the basic financial statements.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - NATURE OF ACTIVITY

Lower Providence Township (the "Township"), Montgomery County, Pennsylvania, founded in 1805, has an approximate population of 25,400, based on a 2010 census report, living within an area of 14.77 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in South Central Montgomery County.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Financial Reporting Entity

The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consist of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of its relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. The following component unit is required to be included in the Township's reporting entity:

Discretely Presented Component Unit

Lower Providence Township Sewer Authority - The Lower Providence Township Sewer Authority (the "Sewer Authority") is a separate legal entity created in 1962 to operate a sewage collection system within the Township that connects with a sewage treatment plant operated by the Lower Perkiomen Valley Regional Sewer Authority. The Sewer Authority is administered by a five-member board appointed by the Township's Board of Supervisors. The Township considers inclusion of the Authority's financial information important to the overall presentation of the Township's financial statements. The year-end of the Sewer Authority is June 30. The Sewer Authority issues a separate audited annual financial report which can be obtained from the Township's Director of Finance.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the reporting government as a whole. The statements include the funds of the reporting entity except for Fiduciary Funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties to goods or services.

Fund Financial Statements - In the fund financial statements, financial transactions and accounts of the Township are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues, or expenditures of that individual Governmental or Proprietary Fund are at least 10% of the corresponding total for all funds of that category or type, and total assets, liabilities, revenues, or expenditures of the individual Governmental Fund or Proprietary Fund are at least 5% of the corresponding total for all Governmental and Enterprises Funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

The funds of the financial reporting entity are described below:

Governmental Funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

- The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a Special Revenue Fund. The reporting entity includes the following Special Revenue Funds, which are reported as nonmajor funds:
 - The *Library Fund* is used to account for revenues generated from the .345 mill assessment received from the Township residents for the purpose of providing support for the Township’s community library.
 - The *Parks and Recreation Operating Fund* is used to account for revenues generated from the .241 mill assessment and fees for services for camp registration, recreation programs and movie and amusement tickets received from Township residents for the purpose of providing support for the Township’s park and recreation activities.
 - The *Highway Aid Fund* is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.
 - The *Tree Fund* is used to account for fees from developers, as established by Township Ordinance, for the purpose of providing tree preservation, protection and replacement.
- Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays which include the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds. Capital Project Funds exclude those types of capital-related outflows financed by Proprietary Funds or for assets that will be held in trust for individuals, private organizations, or other governments. The reporting entity includes the following Capital Projects Funds, which are reported as major funds:
 - The *Capital Projects Fund* is used to account for grants and contributions obtained for the purpose of capital improvements.
 - The *Unrestricted Capital Fund* is used to account for contributions and transfers from other funds for the purpose of unexpected or emergency capital improvement expenditures.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Highway Improvement Capital Reserve Fund* is used to account for revenues generated from traffic impact fees as established by Township Ordinance for the purpose of serving future transportation needs of the Township.

The reporting entity includes the following Capital Projects Funds, which are reported as nonmajor funds:

- The *Liquid Fuels Funded Loans Fund* is used to account for general obligation bond and note proceeds, as well as transfers from other funds, for the purpose of repayment of debt principal and interest.
- The *Parks and Recreation Capital Reserve Fund* is used to account for revenues generated from rents and fees from developers for the purpose of providing funding for capital purchases and improvements for the Township's park and recreation facilities.
- The *Equipment Replacement Fund* is used to account for proceeds from the sale of capital assets for the purpose of equipment replacement.
- The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest (debt service). This fund includes financial resources that are being accumulated for principal and interest maturing in future years and also includes financial resources that are legally mandated to be accounted for and reported in a Debt Service Fund. Revenues generated from the .276 mill assessment received from Township residents are accounted for in this fund. This fund is reported as a nonmajor fund.

Proprietary Funds

- *Enterprise Funds* are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise Funds, which are reported as major funds:
 - The *Solid Waste Fund* is used to account for the collection of fees and payment of expenses related to trash collection and recycling. The Township charged a fee to customers to cover the cost of trash collection and recycling from March 1, 2003 until March 1, 2005. Subsequently, J. P. Mascaro & Sons assumed the responsibility for collection.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

- Trust Funds are used to account for assets held for the Township under the terms of a formal trust agreement. The Township reports the following trust funds: Police Pension Fund, Non-Uniform Pension Fund and Other Postemployment Benefits Trust Fund.
- Agency Funds are used to account for assets held in trust for the benefit of others with the Township having no equity or ownership in the assets. The Township reports the following Agency Fund--the Escrow Fund.

Measurement Focus and Basis of Accounting

The basic financial statements of the Township are comprised of the following:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements
- ✓ Required supplementary information

Government-Wide Financial Statements - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized. Grants and similar items are recognized as revenue, as soon as all eligibility requirements imposed by the provider have been met.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - The Governmental Fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the Governmental Fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The Township's Fiduciary Funds are presented in the fund financial statements by type (trust and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the Proprietary Funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Deferred Outflows/Inflows of Resources

Cash - The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash.

The Township pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

For the purpose of the statement of cash flows for Proprietary Funds, cash includes checking accounts, all cash on hand, demand deposits and certificates of deposit or short-term investments with an original maturity of three months or less from the date of acquisition.

Investments - The Board of Supervisors is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

1. U.S. Treasury bills.
2. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Shares of mutual funds, whose investments are restricted to the above categories.

All investments are carried at level one fair value measurement.

Due to and from Other Funds - Interfund receivables and payable arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets - Capital outlays are recorded as expenditures in the General, Special Revenue and Capital Projects Funds and assets in the government-wide financial statements and Proprietary Funds to the extent the Township's capitalization threshold is met. Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items).

Purchased or constructed capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. The Township maintains a capitalization threshold for assets with an initial, individual cost equal to or greater than \$5,000 and/or an estimated useful life in excess of two years.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	5-40
Furniture, machinery and equipment	3-20

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend its useful life is not capitalized.

The Township's infrastructure consists of 89.31 miles of roads and a bridge.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the government-wide statement of net position and in the Governmental Funds balance sheet. The Township reports unavailable revenues from two sources: grants and traffic impact fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts 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. Debt issuance costs, except any portion related to prepaid insurance costs, are reported as debt service expenditures in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. In Proprietary Fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net position.

In the fund financial statements, Governmental Fund types report the face amount of debt issued as other financing sources. Proprietary Fund types recognize long-term debt and other long-term obligations as liabilities in the statement of net position.

Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences for vacation and sick pay are accrued when incurred in the government-wide and fund financial statements. Employees accumulate benefit time as defined in the collective bargaining agreements and/or applicable personnel policy.

Equity

Government-Wide Statements - The Township classifies net position into the following three components:

- **Net Investment in Capital Assets** - This component of net position consists of the cost of capital assets, net of accumulated depreciation, and is reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Debt related to unspent proceeds is excluded from this component.
- **Restricted** - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. This component of net position includes constraints that are placed thereon by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or "restricted," as noted above.

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - The Township reports fund balances in the Governmental Funds into the following five components:

- **Nonspendable** - Amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.
- **Restricted** - Amounts that are restricted to specific purposes either by (1) external groups such as credits, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.
- **Committed** - Amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end; however, the amount may be determined subsequent to year-end.
- **Assigned** - Amounts constrained by the Township's intent to be used for specific purposes that are neither restricted nor committed.
- **Unassigned** - Amounts not assigned to other funds and that have not been restricted, committed, or assigned to specific purposes in the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

Revenues and Expenditures

Program Revenues - All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (1) charges to customers or applicants for goods and services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are usage charges. Operating expenses of the Proprietary Funds include the cost of the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenue of the Township's Proprietary Funds is interest income.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - The Township is permitted by state law to levy taxes up to 14 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Township for 2016 was 1.767 mills, consisting of .905 mills for general obligations, .345 mills for library, .276 mills for debt service and .241 mills for park and recreation operations as established by the Board of Supervisors. Current tax collections for the Township were approximately 98% of the total tax levy.

The Township's real estate taxes are based on assessed values established by the County's Board of Assessments. The real estate taxes are collected by an elected local tax collector. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after July 1. The County of Montgomery Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the County Tax Claim Bureau is made by January 16 of the subsequent year.

Intergovernmental Revenues - Intergovernmental revenues are received from the Commonwealth of Pennsylvania, federal agencies and local governmental units, generally to fund specific programs, and are recognized when received.

Internal and Interfund Balances and Activities

Fund Financial Statements - Interfund activity, if any, within and among the Governmental and Proprietary Fund categories, is reported as follows in the fund financial statements:

- **Interfund Services** - Sales or purchases of goods and services between funds are reported as revenues and expenditures.
- **Interfund Reimbursements** - Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.
- **Interfund Transfers** - Flow of assets from one fund to another, where repayment is not expected, is reported as transfers in and out.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncement – GASB 72

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The Township has implemented No. 72 as of December 31, 2016.

NOTE C - SUMMARY OF THE DISCRETELY PRESENTED COMPONENT UNIT'S SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Sewer Authority is considered an Enterprise Fund, which is a fund type used to account for operations that are financed and operated in a manner similar to a private business enterprise.

The Sewer Authority's financial statements are presented on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, demand deposit accounts, money market accounts, cash on hand and certificates of deposit with original maturities of three months or less when purchased are considered to be cash and cash equivalents.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are reported as a component of noncurrent assets in the basic financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value as of the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Depreciation has been calculated on each class of depreciable property using the straight-line method.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C - SUMMARY OF THE DISCRETELY PRESENTED COMPONENT UNIT'S SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The Sewer Authority considers accounts receivable to be fully collectible; accordingly, no allowance is required.

Net Position

The Sewer Authority's net position is comprised of three components: invested in capital assets, restricted net position and unrestricted net position.

Invested in capital assets consists of capitalized fixed assets net of any acquisition debt outstanding at year-end. Restricted net position consists of funds held by the trustee of the related bond issue that are held for debt service obligations. Unrestricted net position represents all other net position not included in other categories.

Capital Contributions

Capital contributions consist of sewer system developer dedications, government grants and connection fees collected from property owners.

Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Sewer Authority. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Sewer Authority's policy to apply those expenses to restricted net assets, to the extent such is available, and then to unrestricted net position.

NOTE D - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

The Township had no material violations of finance-related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2015, and the cash received for the year ended December 31, 2016.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE D - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The Tree Fund expenditures in excess of appropriations are due to the Township incurring unbudgeted costs for tree maintenance. These costs were covered by tree replacement fees collected in prior years.

NOTE E - DEPOSITS AND INVESTMENTS

The Township's available cash is invested in demand deposit accounts, money market accounts and the Pennsylvania Local Government Investment Trust (PLGIT). The carrying amounts of cash and investments at December 31, 2016, consist of the following:

Cash deposits	\$ 6,794,727
Investments	<u>18,170,474</u>
	<u>\$ 24,965,201</u>

Reconciliation to Statement of Net Position/Balance Sheet

CASH	
Governmental	\$ 5,860,042
Fiduciary	<u>934,685</u>
	<u>6,794,727</u>
INVESTMENTS	
Fiduciary	<u>18,170,474</u>
	<u>\$ 24,965,201</u>

Custodial Credit Risk, Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. The Pennsylvania Local Government Code and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provisions for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2016, the carrying amount of the Township's bank deposits was \$6,794,727, and the corresponding bank balances were \$6,474,127, of which \$500,000 was covered by Federal Depository Insurance. The remaining \$5,974,127 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name.

Investments

As of December 31, 2016, the Township has the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
INVESTMENTS		
Closed-end funds and exchange-traded funds	\$ <u>18,170,474</u>	\$ <u>18,170,474</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's investment policy limits investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted at market prices are identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township did not have any recurring fair value measurements as of December 31, 2016.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note B. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016, \$18,644,807 is held by the investment's counterparties, not in the name of the Township.

Investment Policy - The Township's investment policy is as follows:

Statutory Restrictions - Investments of Township funds covered by this policy will be made in a manner consistent with the restrictions imposed by the Second Class Township Code.

Investment Instruments - Investments of Township funds covered by this policy are limited to the following investment instruments:

1. U.S. Treasury bills.
2. Treasury bonds or notes with maturities of less than two years.
3. Fully insured or collateralized CDs at commercial banks and savings and loans that have been approved as Township depositories by the Investment Committee with maturities of less than one year.
4. Investment pools offered by the Commonwealth of Pennsylvania or other entities, which have been approved by the Commonwealth of Pennsylvania for investment by Second Class Townships.
5. Investment instruments offered by the PLGIT.
6. Repurchase agreements with a term of less than five days fully collateralized (minimum 102% of principal at market value) by U.S. Treasury securities.
7. Certain short-term obligations of U.S. Government agencies as approved by the Investment Committee.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Maturities - Except where specifically indicated above, or with the approval of the Board of Supervisors, maturities of investment instruments will be limited to a maximum of two years. For the General Fund and other operating funds, maturities will not exceed one year.

Safekeeping and Custody - To protect against potential fraud and embezzlement, whenever practical, the investment assets of the Township will be secured through third-party custody and safekeeping procedures. Bearer instruments will be held only through third-party institutions.

The Township has no investment policy that would further limit its investment choices.

Investment of pension trust funds is pursuant to guidelines established by the plan documents.

NOTE F - DISCRETELY PRESENTED COMPONENT UNIT, DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Sewer Authority's deposits may not be returned to it. The Sewer Authority does not have a deposit policy for custodial credit risk. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. Deposits and investments not insured by the FDIC are secured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. At June 30, 2016, the Sewer Authority had deposits of \$5,865,832 of that amount, \$500,000 is insured by the FDIC; the remaining balance of \$5,365,832 is secured under Act 72.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Sewer Authority will not be able to recover the value of its investments or collateral security that is in the possession of an outside party. Investments of the Sewer Authority consist of certificates of deposit issued by various financial institutions. At June 30, 2016, the Sewer Authority had investments of \$751,234. Of that amount, \$500,000 is insured by the FDIC; the remaining balance of \$251,234 is secured under Act 72.

The Authority is authorized by its Trust Indentures to invest in United States Government and related agency bonds and notes, direct and general obligations of any state of the United States, certificates of deposits, repurchase agreements meeting certain collateralization requirements and money market mutual funds having certain specified ratings.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE G - RECEIVABLES

Receivables at December 31, 2016, consist of the following:

	Governmental Funds			Totals
	General Fund	Highway Improvement Capital Reserve Fund	Other Governmental Funds	
Accounts receivable, net	\$ 405,891	\$ 42,423	\$ 1,190	\$ 449,504
Taxes receivable	63,015	-	8,292	71,307
	<u>\$ 468,906</u>	<u>\$ 42,423</u>	<u>\$ 9,482</u>	<u>\$ 520,811</u>

NOTE H - CAPITAL ASSETS

Capital asset activity of the primary government for the year ended December 31, 2016, is as follows:

Governmental Activities

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 10,665,637	\$ -	\$ -	\$ 10,665,637
CAPITAL ASSETS BEING DEPRECIATED				
Land improvements	1,018,364	83,020	-	1,101,384
Buildings and improvements	4,613,534	28,609	-	4,642,143
Furniture, machinery and equipment	3,052,259	411,270	(52,870)	3,410,659
Infrastructure	7,115,101	476,622	-	7,591,723
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>15,799,258</u>	<u>999,521</u>	<u>(52,870)</u>	<u>16,745,909</u>
Accumulated depreciation				
Land improvements	(664,995)	(34,929)	-	(699,924)
Buildings and improvements	(1,806,064)	(94,713)	-	(1,900,777)
Furniture, machinery and equipment	(2,300,929)	(195,601)	54,958	(2,441,572)
Infrastructure	(4,546,963)	(613,331)	-	(5,160,294)
TOTAL ACCUMULATED DEPRECIATION	<u>(9,318,951)</u>	<u>(938,574)</u>	<u>54,958</u>	<u>(10,202,567)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>6,480,307</u>	<u>60,947</u>	<u>2,088</u>	<u>6,543,342</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 17,145,944</u>	<u>\$ 60,947</u>	<u>\$ 2,088</u>	<u>\$ 17,208,979</u>



<u>Proprietary Fund Type</u>	<u>Component Unit</u>
<u>Solid Waste Fund</u>	<u>Sewer Authority</u>
\$ 28,285	\$ 1,116,071
<u>-</u>	<u>-</u>
<u>\$ 28,285</u>	<u>\$ 1,116,071</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE H - CAPITAL ASSETS (Continued)

Discretely Presented Component Unit Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
CAPITAL ASSETS BEING DEPRECIATED				
Sewer system	\$ 31,531,288	\$ -	\$ -	\$ 31,531,288
Land and garage building	271,586	8,620	-	280,206
Equipment and office furniture	373,039	5,850	-	378,889
TOTAL CAPITAL ASSETS BEING DEPRECIATED	32,175,913	14,470	-	32,190,383
Accumulated depreciation	(15,373,121)	(711,400)	-	(16,084,521)
DISCRETELY PRESENTED COMPONENT UNIT CAPITAL ASSETS, net				
	\$ 16,802,792	\$ (696,930)	\$ -	\$ 16,105,862

NOTE I - LONG-TERM LIABILITIES

Governmental Activities

Changes in long-term liabilities for the year ended December 31, 2016, are as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016	Current Portion
GENERAL OBLIGATION NOTES					
Series of 2006	\$ 1,201,000	\$ -	\$ (150,000)	\$ 1,051,000	\$ 156,000
Series of 2008	2,545,000	-	(247,000)	2,298,000	255,000
Series of 2010A	473,000	-	(473,000)	-	-
Series of 2010B	150,000	-	-	150,000	36,000
Series of 2013	232,000	-	(48,000)	184,000	48,000
Series of 2013A	423,000	-	(50,000)	373,000	51,000
Series of 2014	490,000	-	(94,000)	396,000	96,000
Series of 2014A	430,000	-	-	430,000	-
Series of 2015	140,000	-	(13,000)	127,000	13,000
PIB Loan 2016	-	599,350	-	599,350	55,682
TOTAL GENERAL OBLIGATION NOTES	6,084,000	599,350	(1,075,000)	5,608,350	710,682
COMPENSATED ABSENCES	200,192	48,733	(20,559)	228,366	-
NET PENSION LIABILITY	3,972,070	-	(549,742)	3,422,328	-
OTHER POSTEMPLOYMENT BENEFITS	1,825,631	392,816	(134,340)	2,084,107	-
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	\$ 12,081,893	\$ 1,040,899	\$ (1,779,641)	\$ 11,343,151	\$ 710,682

Compensated absences have been liquidated in the General Fund in prior years.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE I - LONG-TERM LIABILITIES (Continued)

General Obligation Notes

Bonded debt at December 31, 2016, is comprised of the following individual issues:

GENERAL OBLIGATION NOTES

Series of 2006, \$2,773,000 due in annual principal installments ranging from \$120,000 to \$244,000 through April 25, 2022, interest rate varies from 4.05% to a maximum of 15%	\$ 1,051,000
Series of 2008, \$4,018,000 due in annual principal installments ranging from \$187,000 to \$327,000 through December 25, 2024, interest rate varies from 2.99% to a maximum of 15%	2,298,000
Series of 2010B, \$150,000 due in annual principal installments ranging from \$36,000 to \$39,000 through March 25, 2020, interest rate varies from 2.65% to a maximum of 15%	150,000
Series of 2013, \$325,000 due in annual principal installments ranging from \$17,000 to \$49,000 through March 25, 2023, at variable interest rates not to exceed 15%	184,000
Series of 2013A, \$520,000 due in annual principal installments ranging from \$48,000 to \$56,000 through March 25, 2023, at variable interest rates not to exceed 15%	373,000
Series of 2014, \$582,000 due in annual principal installments ranging from \$92,000 to \$102,000 through July 25, 2024, at variable interest rates not to exceed 15%	396,000
Series of 2014A, \$430,000 due in annual principal installments ranging from \$104,000 to \$111,000 through July 25, 2024, at variable interest rates not to exceed 15%	430,000
Series of 2015, \$140,000 due in annual principal installments ranging from \$13,000 to \$15,000 through April 25, 2025, variable interest rates not to exceed 15%	127,000
Commonwealth of Pennsylvania, \$599,350 due in annual principal installments ranging from \$55,682 to \$64,375 through June 1, 2026, with an interest rate of 1.625%.	<u>599,350</u>
	<u>\$ 5,608,350</u>

Total interest expense for the year ended December 31, 2016, was \$133,875.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE I - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize all primary government debt outstanding as of December 31, 2016, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Totals
2017	\$ 710,682	\$ 186,486	\$ 897,168
2018	733,587	159,768	893,355
2019	721,506	132,564	854,070
2020	744,441	104,521	848,962
2021	726,390	75,584	801,974
2022 to 2026	1,971,744	110,910	2,082,654
	<u>\$ 5,608,350</u>	<u>\$ 769,833</u>	<u>\$ 6,378,183</u>

Bond principal and interest payments are paid from the Debt Service Fund and Liquid Fuels Funded Loans Fund. Payments in the Debt Service Fund are funded by real estate tax revenue, contributions from the Lower Providence Township library, golf course lease revenue and transfers from the General Fund. Payments in the Liquid Fuels Funded Loans Fund are funded by transfers in from the Highway Aid Fund.

Substantially all of the Township's assets are pledged as collateral for the long-term debt.

Discretely Presented Component Unit

Long-term debt activity is summarized as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Current Portion
Guaranteed Sewer Revenue Note, Series of 2016	\$ -	\$ 4,245,000	\$ -	\$ 4,245,000	\$ 684,000
Guaranteed Sewer Revenue Bonds, Series of 2006	\$ 5,965,000	\$ -	\$ (5,965,000)	\$ -	\$ -

Guaranteed Sewer Revenue Bonds, Series of 2006 - On May 1, 2006, the Sewer Authority authorized the issuance of Guaranteed Sewer Revenue Bonds, Series of 2006, totaling \$11,510,000. The purpose of the issue was to finance the refunding of the outstanding Guaranteed Sewer Revenue Bonds, Series of 1995. These bonds were issued pursuant to and secured by the Sewer Authority's Trust Indenture dated April 15, 2006.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE I - LONG-TERM LIABILITIES (Continued)

The Series of 2006 Bonds are dated May 1, 2006, and pay interest semiannually on May 1 and November 1 of each year until maturity or redemption. These bonds carry interest rates ranging from 3.75% to 5.00% and mature on various dates between May 1, 2007 and May 1, 2022. The bonds maturing on or after May 1, 2020, are subject to redemption prior to maturity on May 1, 2020. Bonds outstanding on May 1, 2016 were refunded on that date.

On April 25, 2016 the Authority authorized the issuance of Guaranteed Sewer Revenue Notes, Series 2016, totaling \$4,245,000. The purpose of the issue was to finance the refunding of the outstanding Guaranteed Sewer Revenue Bonds, Series of 2006.

The Series of 2016 notes are dated April 25, 2016, and pay interest monthly at the rate of 1.527% per annum until maturity or redemption. They mature on various dates between April 25, 2017 and April 25, 2022.

The Series of 2016 notes payable at June 30, 2016 are comprised of the following:

<u>Due Date</u>	<u>Maturities</u>
2017	\$ 684,000
2018	693,000
2019	702,000
2020	712,000
2021	722,000
2022	<u>732,000</u>
TOTAL BONDS OUTSTANDING	4,245,000
Current portion	<u>(684,000)</u>
	<u>\$ 3,561,000</u>

Aggregate maturities required on long-term debt at June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 684,000	\$ 64,101	\$ 748,101
2018	693,000	54,376	747,376
2019	702,000	43,794	745,794
2020	712,000	33,075	745,075
2021	722,000	22,203	744,203
2022	<u>732,000</u>	<u>11,178</u>	<u>743,178</u>
	<u>\$ 4,245,000</u>	<u>\$ 228,727</u>	<u>\$ 4,473,727</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE I - LONG-TERM LIABILITIES (Continued)

Premium on Bonds Payable - In connection with the issuance of the Guaranteed Sewer Revenue Bonds, Series of 2006, the Sewer Authority received a premium of \$124,995. The premium is being amortized over the term of the bonds (through May 1, 2022) using the straight-line method. Amortization of the premium on bonds payable, which is included in interest expense, was \$7,813 for the year ended June 30, 2016.

Deferred Loss on Refunding of Debt

Series of 1992 - On May 1, 1992, the Sewer Authority's Board of Directors authorized the issuance of the Sewer Revenue Bonds in the amount of \$11,800,000. During the year ended June 30, 1996, the Sewer Authority authorized the issuance of the Guaranteed Sewer Revenue Bonds, Series of 1995. A portion of the proceeds of the 1995 issuance was used to finance the advanced refunding of the outstanding Guaranteed Sewer Revenue Bonds, Series of 1992, maturing on or after May 1, 2003. The advanced refunding resulted in a deferred loss on debt refunding of \$1,125,202.

The deferred loss is being amortized over the original remaining life of the refunded debt. Amortization is included as a component of interest expense and totaled \$43,277 for the year ended June 30, 2016.

Series of 1995 - During the year ended June 30, 2006, the Sewer Authority authorized the issuance of the Guaranteed Sewer Revenue Bonds, Series of 2006. The proceeds of the 2006 issuance were used to finance the current refunding of the outstanding Guaranteed Sewer Revenue Bonds, Series of 1995, maturing on or after May 1, 2006. The refunding resulted in a deferred loss on debt refunding of \$589,582.

The deferred loss is being amortized over the original remaining life of the refunded debt. Amortization is included as a component of interest expense and totaled \$36,849 for the year ended June 30, 2015.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE J - INTERFUND TRANSFERS AND BALANCES

Transfers to/from other funds for the year ended December 31, 2016, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 144,127
Capital Projects Fund	294,878	2,498
Unrestricted Capital Fund	-	143,430
Other Governmental Funds		
Parks and Recreation Operating Fund	34,307	-
Highway Aid Fund	-	606,086
Liquid Fuels Funded Loans Fund	608,584	-
Equipment Replacement Fund	-	41,628
	<u>\$ 937,769</u>	<u>\$ 937,769</u>

Transfers in and transfers out from (to) other funds in the statement of revenues, expenditures and changes in fund balances represent transfers between funds for the following purposes:

- Transfer from General Fund to Capital Projects to cover purchase of capital expenditures.
- Transfer to the Capital Projects Fund from the Equipment Replacement Fund to cover lease payments for vehicles and equipment.
- Transfer to the Liquid Fuels Funded Loans Fund from the Highway Aid Fund to cover the principal/interest payments on the 2010 loan.

The composition of interfund balances as of December 31, 2016, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 975	\$ 48,390
Other Governmental Funds		
Library Fund	21,202	-
Parks and Recreation Operating Fund	15,923	975
Debt Service Fund	11,265	-
	<u>\$ 49,365</u>	<u>\$ 49,365</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - FUND BALANCES

Fund balances of the Township's Governmental Funds at December 31, 2016, consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
General Fund	\$ 15,910	\$ -	\$ -	\$ -	\$ 3,576,282	\$ 3,592,192
Capital Projects Fund	35,780	-	-	181,017	-	216,797
Unrestricted Capital Fund	-	-	-	863,079	-	863,079
Highway Improvement Capital Reserve Fund	-	-	-	-	(175)	(175)
Other Governmental Funds						
Highway Aid Fund	-	168,268	-	-	-	168,268
Library Fund	-	-	18,391	-	-	18,391
Parks and Recreation Operating Fund	-	-	-	-	(665)	(665)
Tree Fund	-	-	132,947	-	-	132,947
Debt Service Fund	-	-	61,109	-	-	61,109
Parks and Recreation Capital Reserve Fund	-	-	123,669	-	-	123,669
Liquid Fuels Funded Loans Fund	-	-	-	18,157	-	18,157
Equipment Replacement Fund	-	-	-	23	-	23
	<u>\$ 51,690</u>	<u>\$ 168,268</u>	<u>\$ 336,116</u>	<u>\$ 1,062,276</u>	<u>\$ 3,575,442</u>	<u>\$ 5,193,792</u>

Fund Balance Policy

The Township establishes and maintains reservations of fund balance for the Township's General Fund and all Governmental Funds. Fund balance is composed of nonspendable, restricted, committed, assigned and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs, or enhance the financial position of the Township in accordance with policies established by the Board of Supervisors.

The purpose of the Township's fund balance policy is to establish a key element of the financial stability of the Township by setting guidelines for the General Fund balance. Unreserved fund balance is an important measure of economic stability. It is essential that the Township maintain adequate levels of unreserved fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The fund balance also provides cash flow liquidity for the Township's general operations. Maintaining reserves is considered a prudent financial management practice. Adequate fund balances are maintained to allow the Township to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - FUND BALANCES (Continued)

Unassigned General Fund balance will provide the Township with sufficient working capital and a comfortable margin of safety to address emergencies, sudden loss of revenue or operating needs and unexpected downturns without borrowing. It is the intent of the Township to limit the use of unassigned General Fund balance to address unanticipated, nonrecurring needs, or known and planned future obligations. Unassigned fund balance shall not normally be applied to recurring annual operating expenditures. Unassigned fund balance may, however, be used to allow time for the Township to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

Spending Policy

The Township's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Township's policy is to use unrestricted fund balance in the following order: committed, assigned and unassigned, when expenditure is incurred for purposes for which each of these fund balance classifications is available.

Minimum Fund Balance Policy

The Township will strive to maintain in its General Fund balance, a reserve of 5% to 7% of yearly expenditures. The Operating Reserve is intended to be a reserve for unexpected events that impact the operating budget, such as failure of the state to remit revenues to the Township, unexpected mandates, unexpected loss of state shared revenues, continuance of critical Township services due to unanticipated events or to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

If, at any time, the General Fund reaches a zero balance, this policy will authorize use of the Unrestricted Capital Fund balance. If, at any time, should the General Fund balance fall below 5% of yearly expenditures, the Board of Supervisors shall be notified. The guidelines for usage outlined for the General Fund will also apply to the Unrestricted Capital Fund balance.

Funds in excess of the Operating Reserve described above will be unassigned General Fund balance, unless otherwise assigned. These funds may be considered to supplement "pay as you go" capital outlay and one-time operating expenditures, or may be used to prepay existing Township debt. Excess funds may not be used to establish or support costs that are recurring in nature.

Committed Fund Balance

The Board of Supervisors is the Township's highest level of decision-making authority. The Township has not formally adopted a policy as to the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - FUND BALANCES (Continued)

Assigned Fund Balance

The Township Manager is authorized to assign amounts to a specific purpose.

Reservations of Fund Balance

Nonspendable - The Township established the following nonspendable fund balance reserve in the General Fund:

Prepaid Expense Reserve - General Fund. The prepaid expense fund balance reserve is established by the Township to indicate the portion of fund balance that relates to expenditures paid for in advance and, therefore, is not in spendable form. The amount of the reserve at December 31, 2016, is \$15,910.

Prepaid Expense Reserve - Capital Projects Fund. The prepaid expense fund balance reserve is established by the Township to indicate the portion of fund balance that relates to expenditures paid for in advance and, therefore, is not in spendable form. The amount of the reserve at December 31, 2016, is \$35,780.

Restricted - Other Governmental Funds - The Township established the following restricted fund balance reserve in the Other Governmental Funds:

Highways and Streets Reserve - The Township's restricted fund balance in the Other Governmental Funds consists of proceeds from the State Motor License Fund accounted for in the Highway Aid Fund. Expenditure of these funds is legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations. The amount of the reserve at December 31, 2016, is \$168,268.

Committed - Other Governmental Funds - The Township established the following committed fund balance reserves in the Other Governmental Funds:

Library Reserve is committed by the Township Board of Supervisors, as set forth by Township Resolution, to provide funds for support of the Township's community library. Revenues are generated from the .345 mill assessment collected from Township residents. The amount of the reserve at December 31, 2016, is \$18,391.

Parks and Recreation Operating Reserve is committed by the Township Board of Supervisors, as set forth by Township Resolution, to provide funds for the Township's park and recreation activities. Revenues are generated from the .241 mill assessment and fees for services collected from Township residents. The nature of this fund balance is committed; however, at December 31, 2016, there is a fund balance deficit and, therefore, this fund balance is reported as unassigned fund balance. The amount of the deficit at December 31, 2016 is \$665.

Tree Reserve is committed by the Township Board of Supervisors, as set forth by Township Ordinance, for the purpose of providing tree preservation, protection and replacement. Revenues are generated from fees from developers. The amount of the reserve at December 31, 2016, is \$132,947.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - FUND BALANCES (Continued)

Debt Service Reserve is committed by the Township Board of Supervisors, as set forth by Township Resolution, to provide funds for the repayment of principal and interest. Revenues are generated from the .276 mill assessment collected from Township residents. The amount of the reserve at December 31, 2016, is \$61,109.

Parks and Recreation Capital Reserve is committed by the Township Board of Supervisors, as set forth by Township Ordinance, for the purpose of providing funding for capital purchases and improvements for the Township's park and recreation facilities. Revenues are generated from rental income and fees from developers. The amount of the reserve at December 31, 2016, is \$123,669.

Assigned - Capital Projects Fund - The Township established the following assigned fund balance reserve in the Capital Projects Fund:

Capital Improvements Reserve is assigned by the Board of Supervisors as set forth in the annual budget and any amendments thereto to provide funds for capital improvements. The amount of the reserve at December 31, 2016, is \$181,017.

Assigned - Unrestricted Capital Fund - The Township established the following assigned fund balance reserve in the Unrestricted Capital Fund:

Capital Improvements Reserve is assigned by the Board of Supervisors, as set forth in the annual budget and any amendments thereto, to provide funds for capital improvements. The amount of the reserve at December 31, 2016, is \$863,079.

Assigned - Highway Improvement Capital Reserve Fund - The Township established the following assigned fund balance reserve in the Highway Improvement Capital Reserve Fund:

Capital Improvements Reserve is assigned by the Board of Supervisors, as set forth in the annual budget and any amendments thereto, to provide funds for capital improvements. The nature of this fund balance is assigned; however, at December 31, 2016, there is a fund balance deficit and, therefore, this fund balance is reported as unassigned fund balance. The amount of the deficit at December 31, 2016, is \$175.

Assigned - Other Governmental Funds - The Township established the following assigned fund balance reserves in the Other Governmental Funds:

Liquid Fuels Funded Loans Reserve is assigned by the Township Board of Supervisors, as set forth in the annual budget and any amendments thereto, to provide funds for the repayment of debt principal and interest. The amount of the reserve at December 31, 2016, is \$18,157.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE K - FUND BALANCES (Continued)

Equipment Replacement Reserve is assigned by the Township Board of Supervisors, as set forth in the annual budget and any amendments thereto, to provide funds for equipment replacement. The amount of the reserve at December 31, 2016, is \$23.

Disbursement of Fund Balance Reserves

Any use of the assigned fund balance, Operating Reserve Funds in the General Fund, must be approved by the Board of Supervisors and include a repayment plan that strives to restore the Operating Reserve to the 5% to 7% of the yearly expenditures level within two fiscal years following the fiscal year in which the event occurred.

No formal policy has been adopted by the Township regarding disbursement of other fund balance reserves; however, disbursement is approved by the Board of Supervisors by inclusion in the approved annual budget and amendments thereto.

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and the amounts of nonspendable, restricted, committed, assigned and the minimum level of unassigned fund balance shall be determined during this process.

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

The financial statements for the Lower Providence Township Police Pension Plan are prepared using an accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Plan Description

Plan Administration - The Lower Providence Township Police Pension Plan is a contributory, single-employer retirement plan that covers all full-time uniformed police officers of the Township. The plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

Retirees and beneficiaries receiving benefits (including DROP members)	32
Terminated members entitled to benefits but not yet receiving them	1
Active plan members	<u>30</u>
	<u><u>63</u></u>

Benefits Provided - The plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. The pension that a member earns under the benefit formula is payable monthly beginning on his normal retirement date and continuing for the remainder of his lifetime. Payments will continue after the retired member's death to his surviving spouse or to dependent children under the age of 18) or under the age of 24 if attending college) in the amount of 50% of the benefit the member was receiving at the time of his death. Benefits payable before normal retirement are actuarially adjusted from this normal retirement benefit to reflect a longer period of payment. Normal retirement is age 50 with at least 25 years of service. Officers may also receive a service increment equal to \$100 per month for each year of service in excess of 25 years up to a maximum of \$500 per month. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. If a member retires after 20 or more years of service, but prior to his normal retirement date, he will be eligible to receive his accrued pension payable immediately, reduced actuarially to reflect the early commencement of benefits. If a member continues to work beyond his normal retirement date, he will be eligible to receive his accrued pension payable at his late retirement date.

If a member is disabled in the line of duty, he will receive a disability retirement pension equal to 50% of the salary he was receiving at the time of his disablement reduced by a Social Security disability benefits payable due to the same illness or injury. The surviving spouse or eligible dependent child of a member who is killed in the line of duty will receive a pension of 100% of the member's monthly salary at the time of death and will be paid from the general fund of the Commonwealth of Pennsylvania. If a member who is eligible for retirement dies but is not killed in the line of duty, his surviving spouse or eligible dependent child will receive a pension equal to 50% of the pension the member would have received had he been retired at the time of his death.

If a member terminates employment prior to retirement eligibility, but after completing 12 or more years of vesting service, he will be eligible for a benefit from the plan equal to his accrued pension at the date of his termination. The benefit will be deferred to his normal retirement date.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the plan are established by Township ordinances.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 5% of the participant’s pay, but may be reduced or eliminated on an annual basis by resolution. Members currently contributed 2% of their compensation.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township’s employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan’s policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board’s adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic stocks	48.75%
International stocks	16.25%
Bonds	32.00%
Cash	3.00%
	<u>100.00%</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Concentrations - More than 5% of the Township's investments are in exchanged traded funds. These investments are 100% of the plan's total investments.

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total pension liability	\$ 16,338,846
Plan fiduciary net position	<u>(13,245,596)</u>
NET PENSION LIABILITY	<u>\$ 3,093,250</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>81.07%</u>
--	---------------

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	8.00%

Mortality rates were based on the RP-2000 Tables.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	5.54%
International stocks	6.42%
Bonds	1.35%
Cash	-0.31%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	\$ 16,092,379	\$ 12,719,856	\$ 3,372,523
Changes for the year:			
Service cost	289,045	-	289,045
Interest	1,261,601	-	1,261,601
Differences between expected and actual experience	(81,360)	-	(81,360)
Contributions			
Employer	-	733,609	(733,609)
Member	-	61,204	(61,204)
Net investment income	-	965,011	(965,011)
Benefit payments	(1,222,819)	(1,222,819)	-
Administrative expense	-	(11,263)	11,263
Net changes	<u>246,467</u>	<u>525,742</u>	<u>(279,275)</u>
Balances at December 31, 2016	<u>\$ 16,338,846</u>	<u>\$ 13,245,598</u>	<u>\$ 3,093,248</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE L - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability (asset)	\$ <u>4,949,807</u>	\$ <u>3,093,250</u>	\$ <u>1,509,495</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2016, the Township recognized pension expense of \$852,734. At December 31, 2016, the Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in projected and actual experience	\$ 63,064	\$ (67,617)
Net difference between projected and actual earnings on pension plan investments	<u>820,916</u>	<u>(13,531)</u>
Total	\$ <u>883,980</u>	\$ <u>(81,148)</u>

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

Year Ending <u>December 31,</u>	
2017	\$ 304,764
2018	304,763
2019	223,075
2020	(17,125)
2021	(12,645)

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not more than 48 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2016, there was one member participating in the DROP.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE M - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

The financial statements for the Lower Providence Township Non-Uniformed Employees' Pension Plan are prepared using an accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Plan Description

Plan Administration - The Lower Providence Township Non-Uniformed Employees' Pension Plan is a contributory, single employer retirement plan that covers all full-time non-uniformed employees of the Township hired prior to 2002 and salaried management employees holding the positions of Director and/or Coordinator on or before July 1, 2009. The plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to the plan document, as amended.

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

Retirees and beneficiaries receiving benefits (including DROP members)	20
Terminated/transferred members entitled to benefits but not yet receiving them	15
Active plan members	<u>8</u>
	<u><u>43</u></u>

Benefits Provided - The Non-Uniformed Employees' Pension Plan provides retirement benefits as well as death benefits. A member's normal retirement date is the first day of the month after a member turns age 60 and completes 10 years of vesting service. The normal retirement benefit is calculated as 50% of average compensation. The normal retirement benefit was offset by a percentage of the member's Social Security benefits for members who terminated prior to 2003. Average compensation is the employee's average monthly earnings over the last 60 months of compensation. Early retirement benefits equal the vested accrued benefit and begin at age 55 and completion of 15 years of vesting service. If a member who is eligible for retirement dies, his surviving spouse will receive a pension equal to 50% of the pension the member would have received had he been retired at the time of his death and chosen a joint and 50% survivor annuity form of payment, unless the member had previously applied for a different form of death benefit.

The benefit provisions of the plan are established by Township ordinances.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE M - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to .25% of the participant's pay.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township's employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Advisory Board. It is the policy of the Pension Advisory Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic stocks	48.75%
International stocks	16.25%
Bonds	32.00%
Cash	3.00%
	<u>100%</u>

Concentrations - More than 5% of the Township's investments are in exchange traded funds. These investments are 100% of the plan's total investments.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE M - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

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

Total pension liability	\$ 4,563,209
Plan fiduciary net position	<u>(4,234,131)</u>
NET PENSION LIABILITY	<u>\$ 329,078</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>92.79%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	8.00%

Mortality rates were based on the RP-2000 Tables.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE M - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	5.54%
International stocks	6.42%
Bonds	1.35%
Cash	-0.31%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that is expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	\$ 4,454,887	\$ 3,859,980	\$ 594,907
Changes for the year:			
Service cost	105,301	-	105,301
Interest	357,265	-	357,265
Differences between expected and actual experience	(165,498)	-	(165,498)
Contributions			
Employer	-	255,150	(255,150)
Member	-	4,677	(4,677)
Net investment income	-	316,011	(316,011)
Benefit payments	(188,746)	(188,746)	-
Administrative expense	-	(12,941)	12,941
Net changes	108,322	374,151	(265,829)
Balances at December 31, 2016	\$ 4,563,209	\$ 4,234,131	\$ 329,078

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE M - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)
(Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.0%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability (asset)	\$ <u>755,905</u>	\$ <u>329,078</u>	\$ <u>(40,651)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2016, the Township recognized pension expense of \$83,330. At December 31, 2016, the Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in projected and actual experience	\$ -	\$ (11,448)
Net difference between projected and actual earnings on pension plan investments	<u>231,330</u>	<u>-</u>
Totals	\$ <u>231,330</u>	\$ <u>(11,448)</u>

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

Year Ending <u>December 31,</u>	
2017	\$ 79,699
2018	79,697
2019	63,348
2020	(2,862)

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE N - DISCRETELY PRESENTED COMPONENT UNIT, DEFINED BENEFIT PENSION PLAN

Plan Description

The Lower Providence Township Sewer Authority Pension Plan is a single-employer, defined benefit pension plan controlled by the provisions of Resolution No. 2003-01 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Plan Membership - Membership of the plan consisted of the following at January 1, 2015:

Active plan members	5
Retirees and beneficiaries currently receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>
	<u>11</u>

Benefit Provisions - The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 60. Early retirement is available to members with 15 years of credited service with reduced benefits. The death benefit is one of the following. If eligible to retire at the time of death, beneficiary receives the present value of accrued benefits. At retirement, member may select a survivor benefit. Cost-of-living allowances are provided at the discretion of the plan.

Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures for aggregate PMRS investments are included in PMRS' separately issued CAFR.

Contributions - Act 205 requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

In accordance with the plan's governing resolution, members are not required to contribute to the plan. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE N - DISCRETELY PRESENTED COMPONENT UNIT, DEFINED BENEFIT PENSION PLAN
(Continued)

Net Pension Liability

Actuarial Assumptions: The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

The Plan uses the entry age, normal actuarial cost method. The actuarial assumptions included (a) 5.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.0-8.3% per year, inflation rate of 3.0%.

Mortality rates were based on the RP 2000 Healthy Annuity Table with a 1 year setback for males and 5 year setback for females.

The current mortality assumptions, while not reflecting projections for improvements as recommended under Actuarial Standard of Practice No. 35 are subject to experience review every four years at which time the Plan receives recommendations of changes to reflect changes in the experience over those expected from the tables applied over the five year period preceding the experience analysis. Such experience review is required by State statute.

In addition, the retired life reserves measure by PMRS is annually reviewed against the actuarial liability for retirees to ensure they are within a reasonable level of difference which has proven to remain consistent year by year as a reflection of the effectiveness of the reserves and the underlying actuarial assumption for mortality.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 1,643,523	\$ 1,571,998	\$ 71,525
Adjustments	-	523	(523)
Changes for the year			
Service cost	42,764	-	42,764
Interest	90,929	-	90,929
Changes in Assumption*	48,405	-	48,405
Contributions, employer	-	82,419	(82,419)
Contributions, PMRS Assessment	-	220	(220)
PMRS investment income	-	90,147	(90,147)
Market value investment income**	-	(83,030)	83,030
Benefit payments	(66,981)	(66,981)	-
PMRS administrative expenses	-	(220)	220
Additional administrative expenses	-	(3,758)	3,758
Net changes	<u>115,117</u>	<u>19,320</u>	<u>95,797</u>
Balances at December 31, 2015	<u>\$ 1,758,640</u>	<u>\$ 1,591,318</u>	<u>\$ 167,322</u>

*Assumptions changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2016.

**Reflects the net investment income/(loss) of (\$94,331) and the income/(loss) due to the difference between expected and actual asset values of \$11,301, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE N - DISCRETELY PRESENTED COMPONENT UNIT, DEFINED BENEFIT PENSION PLAN
(Continued)

The report does not reflect changes in benefits or assumptions after January 1, 2016. Because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year TPL is based upon the January 1, 2015 actuarial valuation, with liabilities measured at December 31, 2014, rolled forward to December 31, 2015. The end of year TPL is based upon the January 1, 2015 actuarial valuation with liabilities measured at December 31, 2014. Except as noted below, the TPL as of December 31, 2015 was based upon the data, actuarial methods and assumptions, and plan provisions described herein.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position." PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (I.E. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts annually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the TPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

	Sensitivity of Net Pension Liability to Changes in Discount Rate		
	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Total pension liability	\$ 1,937,110	\$ 1,758,649	\$ 1,602,804
Plan fiduciary net position	<u>1,591,318</u>	<u>1,591,318</u>	<u>1,591,318</u>
Net pension liability	\$ <u>345,792</u>	\$ <u>167,331</u>	\$ <u>11,486</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.10%</u>	<u>90.50%</u>	<u>99.30%</u>

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE N - DISCRETELY PRESENTED COMPONENT UNIT, DEFINED BENEFIT PENSION PLAN
(Continued)

Deferred Outflows of Resources and Deferred Incomes of Resources Related to Pensions

For the year ended June 30, 2016, the Authority recognized pension expense of \$71,172. At June 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,915
Changes in Assumptions	38,724	-
Net difference between projected and actual earnings on pension plan investments	61,319	-
Pension contributions subsequent to measurement date	<u>83,837</u>	<u>-</u>
	<u>\$ 183,880</u>	<u>\$ 2,915</u>

The \$83,837 reported as deferred outflows of resources to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ended December 31, 2016. The remaining amounts reported as deferred outflows and deferred of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 23,648
2017	23,648
2018	23,648
2019	26,184
2020	-
Thereafter	-

The recognition period for experience and assumptions change gains/losses is five years.

NOTE O - DEFINED CONTRIBUTION PLAN

The Township sponsors a defined contribution pension plan. The assets of the plan are invested separately, and the plan's assets may be used only for the payment of benefits to the members of the plan in accordance with the terms of the plan.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE O - DEFINED CONTRIBUTION PLAN (Continued)

Plan Description

The plan covers all full-time employees of the Township who are hired after 2001, except for police officers and salaried management employees holding the positions of Director and/or Coordinator hired on or before July 1, 2009. The plan provisions are adopted and amended by the governing body of the Township.

Contributions

The Township contributes 8% of compensation to the plan. Participants contribute .75% of their compensation to the plan. Benefits vest 100% after five years of service. The plan is administered by INR. Contributions to the plan in 2016, were \$95,346. Total annual covered payroll in 2016 was \$1,383,674.

NOTE P - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet the eligibility requirements set forth in the plan, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or unforeseeable emergency.

The Township has no liability for losses under the plan arising from expense charges of any kind or from depreciation or shrinkage in the value of assets of the plan.

NOTE Q - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides medical and prescription drug insurance benefits to eligible retired employees and spouses through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by Township Supervisors and can be amended by the Township through its personnel manual and union contracts. The plan is considered to be part of the Township's financial reporting entity and is included in the Township's financial reports as an Other Postemployment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

Funding Policy and Annual OPEB Cost

The Township currently funds OPEB costs as they occur. For 2016, the Township incurred \$134,340 in OPEB costs for current premiums.

The Township's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE Q - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

	Employees Pension Plan
Annual required contribution (ARC)	\$ 420,294
Interest on net OPEB obligation	91,282
Adjustment to the annual required contribution	<u>(118,760)</u>
ANNUAL OPEB COST	392,816
Contributions made	<u>(134,340)</u>
INCREASE IN NET OPEB OBLIGATION	258,476
Net OPEB obligation at beginning of year	<u>1,825,631</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 2,084,107</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the plan was as follows:

Year Ended December 31,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 403,223	13.0%	\$ 1,484,969
2015	397,943	14.4%	1,825,631
2016	392,816	34.2%	2,084,107

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE Q - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation, was as follows:

Actuarial present value at attained age (APVAA)	
Active members	\$ 5,543,502
Retired members	<u>2,095,699</u>
TOTAL APVAA	<u>\$ 7,639,201</u>
Actuarial accrued liability (AAL)	<u>\$ 4,644,642</u>
Actuarial value of assets (AVA)	<u>\$ 1,289,591</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,355,051</u>
Funded ratio	<u>27.8%</u>
Covered payroll	<u>\$ 2,773,360</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<u>121.0%</u>
Annual required contribution (ARC)	
Normal cost	\$ 187,763
Administrative expenses	9,200
30-year amortization of UAAL	<u>223,331</u>
TOTAL ARC	<u>\$ 420,294</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. 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 to past expectations and new estimates are made about the future. The required schedules of funding progress, presented as supplementary information, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE Q - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method.....	Level percent of projected payroll on an open basis
Remaining amortization period	30 years
Asset valuation method	Technique that spreads the effects of short-term volatility in the market value of investments over a five-year period
Actuarial assumptions	
Investment rate of return	5.0% per annum
Salary increases	5.0% per annum
Healthcare inflation rate.....	9.0% initially, reduced by decrements of 1.0% to an ultimate rate of 6.0% after three years

NOTE R - DEFICIT FUND EQUITY

The Highway Improvement Capital Reserve Fund has a deficit fund equity of \$175 as of December 31, 2016. The fund incurred the deficit due to unanticipated operating expenditures in the current year. Costs were in excess of revenues generated. The Township plans to eliminate this deficit by reducing expenditures in 2017.

The Parks and Recreation Operating Fund has a deficit fund equity of \$665 as of December 31, 2016. The fund incurred the deficit due to unanticipated operating expenditures in 2015. Costs were in excess of revenues generated. The Township plans to eliminate this deficit by reducing expenditures in 2017.

The Solid Waste Fund has a deficit fund equity of \$19,974 as of December 31, 2016. The fund incurred the deficit due to prior year expenditures incurred for collection of trash and recycling being in excess of revenues generated. All properties have been liened and turned over to a third-party collection agency.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE S - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE T - COMMITMENTS AND CONTINGENCIES

Commitments - Discretely Presented Component Unit

Long-Term Service Agreement - The Sewer Authority has a service agreement with the Lower Perkiomen Valley Regional Sewer Authority (LPVRSa) for the treatment of sewage collected by the Sewer Authority, whereby the Sewer Authority pays a fee to LPVRSa each month. On April 1, 2011, the fee increased to \$146 per year for each equivalent dwelling unit (EDU). The Sewer Authority paid fees which totaled \$2,789,290 for the year ended June 30, 2016.

Contingencies - Primary Government

Pending Litigation - The Township is party to litigation involving various Township matters. Based on the opinion of its legal counsel, Township officials feel that the outcome of any suit will not have a material effect on the financial condition of the Township.

Grants - Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Loan Agreement - Under the terms of the loan agreement with Delaware Valley Regional Finance Authority (DelVal), the Township may be subject to termination charges upon early termination of interest rate swap transactions under the Interest Rate Management Plan between DelVal and the swap counterparty.

LOWER PROVIDENCE TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE U - EMERGENCY RADIO PROJECT

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Valley Regional Finance Authority("DelVal"), that wish to participate in the Project. For the year ended December 31, 2015, the Township elected to participate in the Project and entered into a Promissory Note with the County in the amount of \$178,900 to be repaid in five annual installments of \$35,780 each. As of December 31, 2016, the purchased equipment has not yet been received by the Township.

NOTE V - TAX ABATEMENT

The Township is also subjected to tax abatements granted by the State through The Business Development Initiative, for the purpose of increasing business opportunity and employment in the state. The state grants a reduction in property taxes for businesses employment in the state. The state grants a reduction in property tax for businesses that promise to expand facilities or employment in the state. As of December 31, 2016, there was no tax abatements agreements present or outstanding for the Township.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF LOWER PROVIDENCE
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget Amounts	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes			
Real estate	\$ 1,448,973	\$ 1,459,064	\$ (10,091)
Per capita	71,000	67,865	3,135
Real estate transfer	380,000	523,754	(143,754)
Earned income	5,100,000	5,342,653	(242,653)
Local services	480,000	513,521	(33,521)
Amusement	19,750	18,377	1,373
Licenses and permits	576,000	557,383	18,617
Fines	110,000	133,106	(23,106)
Interest and rents	8,300	16,141	(7,841)
Intergovernmental	602,158	677,494	(75,336)
Charges for services	836,503	1,011,124	(174,621)
Contributions	-	4,000	(4,000)
Refund of prior year expense	48,350	1,989	46,361
Miscellaneous	10,500	18,396	(7,896)
	<u>9,691,534</u>	<u>10,344,867</u>	<u>(653,333)</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	1,429,954	1,392,658	37,296
Public safety	3,909,358	3,873,431	35,927
Health and human services	5,500	5,500	-
Public works			
Sanitation	12,000	17,937	(5,937)
Highways and streets	1,220,420	1,163,657	56,763
Other	-	3,758	(3,758)
Community development	310,016	291,438	18,578
Employee pension and benefit costs	2,909,788	2,845,757	64,031
Refund of prior year revenue	57,437	65,965	(8,528)
Miscellaneous	3,850	7,523	(3,673)
Capital outlay	140,142	-	140,142
	<u>9,998,465</u>	<u>9,667,624</u>	<u>330,841</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(306,931)	677,243	(984,174)
OTHER FINANCING USES			
Transfers out	(140,142)	(144,127)	3,985
	<u>(140,142)</u>	<u>(144,127)</u>	<u>3,985</u>
NET CHANGE IN FUND BALANCE			
	<u>\$ (447,073)</u>	533,116	<u>\$ (980,189)</u>
FUND BALANCE AT BEGINNING OF YEAR			
		<u>3,059,076</u>	
FUND BALANCE AT END OF YEAR			
		<u>\$ 3,592,192</u>	

See accompanying note to the budgetary comparison schedule.

TOWNSHIP OF LOWER PROVIDENCE
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2016

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The Board of Supervisors annually adopts the budget for the General, Library, Parks and Recreation Operating, Highway Aid, Tree, Debt Service, Capital Projects, Unrestricted Capital, Highway Improvement Capital Reserve, Liquid Fuels Funded Loans, Parks and Recreation Capital Reserve, Equipment Replacement, Solid Waste and Other Post-Employment Benefits Trust Funds. Budgetary control is legally maintained at the fund level.

The Second Class Township Code provides for the modification of the budget and supplemental appropriations and transfers.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year.
2. During November, the Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them.
3. Prior to December 31, the Township holds a public hearing to obtain taxpayer comments, after which the budget is legally adopted through passage of a resolution.
4. All budget revisions require the approval of the Township Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on the modified accrual basis of accounting for the General Fund. All appropriations lapse at year-end.

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 289,045	\$ 291,983	\$ 294,320
Interest	1,261,601	1,218,681	1,151,119
Differences between expected and actual experience	(81,360)	105,106	-
Benefit payments	<u>(1,222,819)</u>	<u>(719,618)</u>	<u>(687,763)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	246,467	896,152	757,676
Total pension liability, beginning	<u>16,092,379</u>	<u>15,196,227</u>	<u>14,438,551</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 16,338,846</u>	<u>\$ 16,092,379</u>	<u>\$ 15,196,227</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 733,609	\$ 732,683	\$ 717,943
Member	61,204	54,411	50,767
Net investment (income) expense	965,011	(72,907)	569,398
Benefit payments, including refunds of member contributions	(1,222,819)	(719,618)	(687,763)
Insurance premiums	-	555	-
Administrative expense	(11,263)	(57,300)	(99,932)
Other	<u>-</u>	<u>-</u>	<u>(1,800)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	525,742	(62,176)	548,613
Plan fiduciary net position, beginning	<u>12,719,856</u>	<u>12,782,032</u>	<u>12,233,419</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 13,245,598</u>	<u>\$ 12,719,856</u>	<u>\$ 12,782,032</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 3,093,248</u>	<u>\$ 3,372,523</u>	<u>\$ 2,414,195</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>81.07%</u>	<u>79.04%</u>	<u>84.11%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,060,177</u>	<u>\$ 2,720,473</u>	<u>\$ 2,445,223</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>101.08%</u>	<u>123.97%</u>	<u>98.73%</u>

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 733,609	\$ 392,303	\$ 381,761
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>733,609</u>	<u>392,303</u>	<u>381,761</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,060,177</u>	<u>\$ 1,905,532</u>	<u>\$ 1,745,838</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>23.97%</u>	<u>20.59%</u>	<u>21.87%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2%
Salary increases	0.05
Investment rate of return	0.08
Retirement age	Members are assumed retire on their normal retirement date, or on the valuation date if after.

Mortality RP - 2000 Table.

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.36%</u>	<u>-0.58%</u>	<u>4.79%</u>

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES'
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 105,301	\$ 119,423	\$ 104,672
Interest	357,265	335,619	311,063
Differences between expected and actual experience	(165,498)	15,270	-
Benefit payments	(188,746)	(151,934)	(125,677)
NET CHANGE IN TOTAL PENSION LIABILITY	108,322	318,378	290,058
Total pension liability, beginning	4,454,887	4,136,509	3,846,451
TOTAL PENSION LIABILITY, ENDING (a)	\$ 4,563,209	\$ 4,454,887	\$ 4,136,509
PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 255,150	\$ 282,760	\$ 1,503
Contributions-member	4,677	1,588	281,382
Net investment income (loss)	316,011	(20,350)	199,009
Benefit payments, including refunds of member contributions	(188,746)	(151,934)	(125,677)
Insurance premiums	-	555	-
Administrative expense	(12,941)	(23,709)	(30,469)
Other	-	-	(1,800)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	374,151	88,910	323,948
Plan fiduciary net position, beginning	3,859,980	3,771,070	3,447,122
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 4,234,131	\$ 3,859,980	\$ 3,771,070
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 329,078	\$ 594,907	\$ 365,439
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	92.79%	86.65%	91.17%
COVERED-EMPLOYEE PAYROLL	\$ 637,404	\$ 627,924	\$ 608,470
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	51.63%	94.74%	60.06%

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 255,150	\$ 287,400	\$ 281,382
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>255,150</u>	<u>287,400</u>	<u>281,382</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 637,404</u>	<u>\$ 627,924</u>	<u>\$ 608,470</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>40.03%</u>	<u>45.77%</u>	<u>46.24%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar
Remaining amortization period	4 years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	5.0%
Investment rate of return	8.0%
Retirement age	Members are assumed retire on their normal retirement date, or on the valuation date if later.
Mortality	RP - 2000 Table.

TOWNSHIP OF LOWER PROVIDENCE
SCHEDULE OF NON-UNIFORMED EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.56%</u>	<u>-0.67%</u>	<u>5.89%</u>

TOWNSHIP OF LOWER PROVIDENCE
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ 789,360	\$ 3,215,571	\$ 2,426,211	24.5%	\$ 1,942,300	124.9%
2011	1,138,379	3,436,997	2,298,618	33.1%	2,578,125	89.2%
2014	1,289,591	4,644,642	3,355,051	27.8%	2,773,360	121.0%

SUPPLEMENTARY INFORMATION SECTION

LOWER PROVIDENCE TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special Revenue Funds			
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Tree Fund
ASSETS				
Cash and cash equivalents	\$ 9,729	\$ 18,269	\$ 171,549	\$ 132,947
Accounts receivable	-	-	-	-
Taxes receivable, net	3,383	2,366	-	-
Due from other funds	21,202	15,923	-	-
TOTAL ASSETS	\$ 34,314	\$ 36,558	\$ 171,549	\$ 132,947
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ 975	\$ -	\$ -
Accounts payable	-	8,509	3,281	-
Accrued salaries and benefits	-	16,616	-	-
TOTAL LIABILITIES	-	26,100	3,281	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	15,923	11,123	-	-
FUND BALANCES				
Restricted	-	-	168,268	-
Committed	18,391	-	-	132,947
Assigned	-	-	-	-
Unassigned	-	(665)	-	-
TOTAL FUND BALANCES	18,391	(665)	168,268	132,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,314	\$ 36,558	\$ 171,549	\$ 132,947

Debt Service Fund	Capital Project Funds			Total Other Governmental Funds
	Liquid Fuels Funded Loans Fund	Parks and Recreation Capital Reserve Fund	Equipment Replacement Fund	
\$ 55,364	\$ 18,157	\$ 124,521	\$ 23	\$ 530,559
1,190	-	-	-	1,190
2,543	-	-	-	8,292
<u>11,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,390</u>
<u>\$ 70,362</u>	<u>\$ 18,157</u>	<u>\$ 124,521</u>	<u>\$ 23</u>	<u>\$ 588,431</u>
\$ -	\$ -	\$ -	\$ -	\$ 975
-	-	630	-	12,420
-	-	-	-	16,616
<u>-</u>	<u>-</u>	<u>630</u>	<u>-</u>	<u>30,011</u>
<u>9,253</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>36,521</u>
-	-	-	-	168,268
61,109	-	123,669	-	336,116
-	18,157	-	23	18,180
-	-	-	-	(665)
<u>61,109</u>	<u>18,157</u>	<u>123,669</u>	<u>23</u>	<u>521,899</u>
<u>\$ 70,362</u>	<u>\$ 18,157</u>	<u>\$ 124,521</u>	<u>\$ 23</u>	<u>\$ 588,431</u>

LOWER PROVIDENCE TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds			
	Library Fund	Parks and Recreation Operating Fund	Highway Aid Fund	Tree Fund
REVENUES				
Taxes, real estate	\$ 555,750	\$ 388,546	\$ -	\$ -
Interest and rents	62	520	603	380
Intergovernmental	-	-	719,556	-
Charges for services	-	420,088	-	-
Contributions	-	27,339	-	860
Refund of prior year expense	-	1,837	-	-
Miscellaneous	-	34,044	-	-
TOTAL REVENUES	<u>555,812</u>	<u>872,374</u>	<u>720,159</u>	<u>1,240</u>
EXPENDITURES				
Highways and streets	-	-	34,501	-
Public safety	-	-	-	-
Culture and recreation	545,604	799,218	-	7,022
Employee pension and benefits costs	-	64,695	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Refund of prior year revenue	1,494	2,513	-	-
Miscellaneous	-	34,044	-	-
TOTAL EXPENDITURES	<u>547,098</u>	<u>900,470</u>	<u>34,501</u>	<u>7,022</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,714</u>	<u>(28,096)</u>	<u>685,658</u>	<u>(5,782)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	34,307	-	-
Transfers out	-	-	(606,086)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>34,307</u>	<u>(606,086)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8,714	6,211	79,572	(5,782)
FUND BALANCES AT BEGINNING OF YEAR	<u>9,677</u>	<u>(6,876)</u>	<u>88,696</u>	<u>138,729</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,391</u>	<u>\$ (665)</u>	<u>\$ 168,268</u>	<u>\$ 132,947</u>

Debt Service Fund	Capital Project Funds				Total Other Governmental Funds
	Liquid Fuels Funded Loans Fund	Parks and Recreation Capital Reserve Fund	Equipment Replacement Fund		
\$ 442,124	\$ -	\$ -	\$ -	\$ 1,386,420	
100,175	151	320	97	102,308	
100,334	-	-	-	819,890	
-	-	147,886	-	567,974	
-	-	-	-	28,199	
-	-	-	-	1,837	
-	-	-	-	34,044	
<u>642,633</u>	<u>151</u>	<u>148,206</u>	<u>97</u>	<u>2,940,672</u>	
-	-	-	-	34,501	
11,812	-	-	-	11,812	
-	-	104,908	-	1,456,752	
-	-	-	-	64,695	
495,000	580,000	-	-	1,075,000	
107,030	26,845	-	-	133,875	
622	-	-	-	4,629	
-	-	-	-	34,044	
<u>614,464</u>	<u>606,845</u>	<u>104,908</u>	<u>-</u>	<u>2,815,308</u>	
28,169	(606,694)	43,298	97	125,364	
-	-	-	5,453	5,453	
-	608,584	-	-	642,891	
-	-	-	(41,628)	(647,714)	
-	608,584	-	(36,175)	630	
28,169	1,890	43,298	(36,078)	125,994	
<u>32,940</u>	<u>16,267</u>	<u>80,371</u>	<u>36,101</u>	<u>395,905</u>	
<u>\$ 61,109</u>	<u>\$ 18,157</u>	<u>\$ 123,669</u>	<u>\$ 23</u>	<u>\$ 521,899</u>	