

PERKIOMEN TOWNSHIP

Collegeville, Pennsylvania

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Perkiomen Township
Collegeville, Montgomery County, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 38 through 40 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 Perkiomen Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of Perkiomen Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perkiomen Township's internal control over financial reporting and compliance.

Dreslin and Company, Inc.

East Norriton, Pennsylvania
June 15, 2017

PERKIOMEN TOWNSHIP

Management's Discussion and Analysis

Our discussion and analysis of Perkiomen Township's financial performance provides an overview of the Township's financial activities for the year ending December 31, 2016. Please read it in conjunction with the Township's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Township enjoys a General Fund budgetary fund balance of \$7,873,573, which is also a clear indication of the Township's overall financial health. The General Fund Budgetary Comparison Schedule is presented on page 38.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13, and page 14) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE TOWNSHIP AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the Township as a whole begins on page 8. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position – the difference between assets and liabilities – as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's tax base and the condition of the Township's infrastructure, to assess the overall health of the Township.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

The Statement of Net Position and the Statement of Activities present the following:

- Governmental Activities – Most of the Township's basic services are reported here, including general administration, public safety, public works, and parks and recreation. Property taxes, the Earned Income Tax, and Real Estate Transfer Taxes finance most of these activities.

- Component units – The Township includes two separate legal entities in its report: Perkiomen Township Fire Company (a 501(c)(3) nonprofit organization) and the Perkiomen Township Municipal Authority. Although legally separate, these component units are important because the Township is financially accountable for them. Separate audited financial statements are issued and available for the Municipal Authority.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statement

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the Township as a whole. Perkiomen Township Board of Supervisors establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. The Township has one kind of fund – governmental – which uses the following accounting approach.

- Governmental Funds – The Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a separate reconciliation following the fund financial statements.

THE TOWNSHIP AS TRUSTEE

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, for its employees' pension fund. Because of legal restrictions, this fund can only be used for the designated beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19 and 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

THE TOWNSHIP AS A WHOLE

Tables 1 and 2 that follow present a summarization of Perkiomen Township's net position and changes in net position for fiscal years ended in 2016 and 2015.

Table 1
Net Position
(actual dollars)

	Governmental Activities	
	2016	2015
Current Assets	\$ 10,073,623	\$ 9,584,853
Capital Assets	6,363,260	6,469,767
Total Assets	\$ 16,436,883	\$ 16,054,620
Long-Term Debt Outstanding	\$ -	\$ -
Other Liabilities	98,251	60,865
Total Liabilities	\$ 98,251	\$ 60,865
Net Position:		
Invested in Capital Assets, Net of Debt	\$ 6,363,260	\$ 6,469,767
Restricted	926,197	699,811
Unrestricted	9,049,175	8,824,177
Total Net Position	\$ 16,338,632	\$ 15,993,755

The Township has a significant investment in capital assets for its governmental activities. Also, the Township enjoys a healthy balance of unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Present capital expenditure requirements are relatively low because the Township is not expanding the scope of its operations and the Township's successful preventive maintenance program has prolonged the life of existing capital assets. The financial statements present a reconciliation of the Governmental Fund Balances to the Total Net Position on page 16.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

Table 2
Changes in Net Position
(actual dollars)

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	\$ 39,052	\$ 47,395
Operating Grants	712,335	318,888
General Revenues:		
Earned Income Tax	2,262,175	2,180,172
Real Estate Tax	299,900	301,349
Real Estate Transfer Taxes	218,151	170,417
Licenses and Permits	184,930	181,603
Other General Revenues	72,621	38,110
	<u>3,789,164</u>	<u>3,237,934</u>
Program Expenses		
General Government	789,830	695,527
Public Safety	227,669	215,403
Public Works	1,516,816	1,388,019
Culture and Recreation	84,843	45,556
Other Expenses	92,579	90,179
	<u>2,711,737</u>	<u>2,434,684</u>
	<u>\$ 1,077,427</u>	<u>\$ 803,250</u>

The cost of all governmental activities this year was \$2,711,738 compared with \$2,434,684 for the prior year. As shown in the Statement of Activities on page 14, the amount our taxpayers ultimately financed for these activities through taxes was \$1,960,350 as compared with \$2,068,401 for 2015. The balance of these costs was paid by those who directly benefited by the programs (\$39,052) in 2016 and (\$47,395) in 2015, or by other governments or organizations that subsidized certain programs with grants and contributions (\$712,335) in 2016 and (\$318,888) in 2015. Overall, the Township's governmental program revenues and general revenues amounted to \$3,789,164 in fiscal 2016 compared with \$3,237,934 in fiscal 2015. The difference is primarily due to an increase in operating grants for the current year.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

Table 3
Governmental Activities
(actual dollars)

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 789,830	\$ 777,684	\$ 695,527	\$ 676,633
Public Safety	227,669	120,607	215,403	106,007
Public Works	1,516,816	884,637	1,388,019	1,150,026
Culture and Recreation	84,843	84,843	45,556	45,556
All Others	92,579	92,579	90,179	90,179
Totals	<u>\$ 2,711,737</u>	<u>\$ 1,960,350</u>	<u>\$ 2,434,684</u>	<u>\$ 2,068,401</u>

THE TOWNSHIP'S FUNDS

As the Township completed the fiscal year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$9,723,101, which is an increase of \$1,237,264 from last year's total of \$8,485,837. The General Fund and Capital Reserve Fund reported fund balances of \$7,873,574 and \$1,278,068 as of December 31, 2016, which represented an increase of \$942,754 for the General Fund and a decrease of \$63,199 for the Capital Reserve Fund.

General Fund Budgetary Highlights

The General Fund Budgetary Comparison Schedule on page 38 reflects that the Township ended fiscal 2016 with a budgetary fund balance of \$7,873,573. At the time the 2016 budget was passed, the prior year ending fund balance was not yet known. A conservative figure was used for budgeting purposes.

Overall revenues were better than projected. Earned Income Tax Revenue was \$612,238 greater than budgeted, and Licenses and Permits exceeded the budget by \$82,130. Charges for services were \$39,052 greater than budgeted and Real Estate Transfer Taxes exceeded the budget by \$43,106.

Overall expenditures in 2016 for the General Fund were less than budgeted, resulting in a favorable variance of \$558,964.

PERKIOMEN TOWNSHIP
Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the Township had \$6,363,260 invested in a broad range of capital assets including public works equipment, municipal buildings and land, park facilities, roads, bridges and storm sewer. The Township expended \$139,882 for capital assets in 2016. The capital expenditures were made to public work projects, and the purchase of new equipment.

The Township's fiscal 2017 capital budget calls for a similar level of capital expenditures for road improvements, open space acquisition, and equipment purchases. These projects are to be funded from the capital projects and general funds.

Debt

At year-end, the Township had no notes outstanding in either 2016 or 2015. There was no new debt incurred during the past year and no principal payments on existing debt for the year.

ECONOMIC FACTORS AND THE 2016 BUDGETS AND RATES

The Township's elected and appointed officials consider many factors when setting the fiscal year 2017 budget. One of those factors was the economy. Because of a sluggish national economy, increases in tax revenues were assumed to be modest. Inflation and interest rates were expected to remain near historical lows throughout 2016.

These indicators were taken into account when adopting the General Fund budget for 2016. General Fund Budgeted Revenues for 2016 were \$2,287,997; the actual amount received was \$3,143,337. The increases were a result of receipts in excess of projections in the Earned Income Taxes, Charge for Services, and Licenses and Permits. The Township will use this increase in revenues to fund current programs and add to the unrestricted net asset balance.

Budgeted General Fund expenditures for 2017 are expected to be comparable to the expenditures budgeted for 2016. The Township has not added any new programs, nor are any proposed to be added in 2017. The Township eliminated the Street Light Tax and Hydrant Tax Funds by absorbing these taxes into the General Fund. The payment of expenses for the street lights and hydrants will now be made from the General Fund. The consolidation into the General Fund did not require an increase in the millage rate for the General Fund.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need clarification please contact Perkiomen Township at 1 Trappe Road, Collegetown, Pennsylvania 19426. Separately issued financial statements are available for the Perkiomen Township Municipal Authority, a separately-listed component unit in these financial statements.

PERKIOMEN TOWNSHIP
Statement of Net Position
December 31, 2016

ASSETS	Primary Government Governmental Activities	Component Units	
		Perkiomen Township Municipal Authority	Perkiomen Township Fire Company
Current Assets:			
Cash and Cash Equivalents	\$ 7,171,540	\$ 1,152,294	\$ 317,413
Investments	2,092,728	3,696,713	140,072
Due from Escrow Fund	184	-	-
Taxes Receivable	664,166	-	-
Accounts Receivable	86,760	288,345	9,638
Due from Component Unit	22,659	-	-
Prepaid Insurance	35,586	-	-
Total Current Assets	10,073,623	5,137,352	467,123
Noncurrent Assets:			
Capital Assets:			
Land	3,537,002	-	-
Buildings and Building Improvements (Net)	767,390	-	397,173
Infrastructure (Net)	1,763,606	-	-
Sewer System (Net)	-	2,691,723	-
Furniture and Fixtures (Net)	17,423	-	-
Equipment (Net)	252,860	31,413	228,139
Vehicles (Net)	24,979	-	190,814
Total Capital Assets	6,363,260	2,723,136	816,126
Recoverable Sewer Capacity Fees	-	20,000	-
Total Noncurrent Assets	6,363,260	2,743,136	816,126
Total Assets	\$ 16,436,883	\$ 7,880,488	\$ 1,283,249

(Continued)

PERKIOMEN TOWNSHIP
Statement of Net Position (Continued)
December 31, 2016

	Primary Government Governmental Activities	Component Units	
		Perkiomen Township Municipal Authority	Perkiomen Township Fire Company
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 86,739	\$ 27,750	\$ 4,623
Accrued Wages Payable	8,931	1,528	-
Payroll Taxes Payable	2,581	117	-
Due to Primary Government	-	22,659	-
Current Portion of Long Term Debt	-	-	15,870
	98,251	52,054	20,493
Total Current Liabilities			
Noncurrent Liabilities:			
Long-Term Debt, Net of Current Portion	-	-	82,355
	-	-	82,355
Total Noncurrent Liabilities			
	98,251	52,054	102,848
Total Liabilities			
NET POSITION			
Restricted for:			
Special Revenue	417,652	-	-
Open Space	508,545	-	-
Invested in Capital Assets, Net of Related Debt	6,363,260	2,723,136	717,901
Unrestricted	9,049,175	5,105,298	462,500
	16,338,632	7,828,434	1,180,401
Total Net Position			
Total Liabilities and Net Position	\$ 16,436,883	\$ 7,880,488	\$ 1,283,249

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Perkiomen Township Municipal Authority	Perkiomen Township Fire Company
Governmental Activities:							
General Government	\$ 789,830	\$ 2,350	\$ 9,796	\$ -	\$ (777,684)		
Public Safety	227,669	36,702	70,360	-	(120,607)		
Public Works - Sanitation	31,989	-	59,942	-	27,953		
Public Works - Highway	1,484,827	-	572,237	-	(912,590)		
Culture and Recreation	84,843	-	-	-	(84,843)		
Miscellaneous Expenditures	92,519	-	-	-	(92,519)		
Unallocated Depreciation	60	-	-	-	(60)		
Total Governmental Activities	2,711,737	39,052	712,335	-	(1,960,350)		
Total Primary Government	\$ 2,711,737	\$ 39,052	\$ 712,335	\$ -	\$ (1,960,350)		
COMPONENT UNITS:							
Municipal Authority Sewer Fund	\$ 1,008,230	\$ 781,404	\$ -	\$ 4,500		\$ (222,326)	
Fire Company	251,593	-	211,428	-			\$ (40,165)
Total Component Units	\$ 1,259,823	\$ 781,404	\$ 211,428	\$ 4,500		(222,326)	(40,165)
General Revenues:							
Real Estate Taxes					\$ 299,900	-	-
Real Estate Transfer Taxes					218,151	-	-
Earned Income Taxes					2,262,175	-	-
Licenses and Permits					184,930	-	-
Fines and Forfeitures					5,887	-	-
Interest Earnings					18,997	13,345	1,966
Intergovernmental Revenues					4,115	-	-
Sale of Fixed Asset					21,550	-	3,623
Refund of Prior Year Expense					1,400	-	-
Miscellaneous Revenue					20,672	-	-
Total General Revenues					3,037,777	13,345	5,589
Change in Net Position					1,077,427	(208,981)	(34,576)
Net Position - Beginning of Year							
As Originally Stated					15,993,755	8,037,415	1,214,977
Prior Period Adjustment					(732,550)	-	-
As Restated					15,261,205	8,037,415	1,214,977
Net Position - End of Year					\$ 16,338,632	\$ 7,828,434	\$ 1,180,401

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Balance Sheet
Governmental Funds
December 31, 2016

ASSETS	General	Capital Reserve	Highway Aid	Non-Major Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 6,732,583	\$ 6,929	\$ 318,619	\$ 113,409	\$ 7,171,540
Investments	677,156	1,280,191	93,912	41,469	2,092,728
Interfund Receivables	4,368	-	5,592	1,265	11,225
Due From Component Unit	22,659	-	-	-	22,659
Taxes Receivable	662,294	-	-	1,871	664,165
Other Receivables	86,760	-	-	-	86,760
Total Assets	<u>\$ 8,185,820</u>	<u>\$ 1,287,120</u>	<u>\$ 418,123</u>	<u>\$ 158,014</u>	<u>\$ 10,049,077</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 77,193	\$ 9,052	\$ 471	\$ 22	\$ 86,738
Accrued Wages Payable	8,931	-	-	-	8,931
Payroll Taxes Payable	2,581	-	-	-	2,581
Interfund Payables	6,857	-	-	4,184	11,041
Total Liabilities	<u>95,562</u>	<u>9,052</u>	<u>471</u>	<u>4,206</u>	<u>109,291</u>
 DEFERRED INFLOWS OF RESOURCES					
Deferred Earned Income Taxes	216,685	-	-	-	216,685
Total Deferred Inflows of Resources	<u>216,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,685</u>
 FUND BALANCES					
Non-Spendable - Not in Spendable Form	4,368	-	5,592	1,265	11,225
Restricted For:					
Highway Constuction and Maintenance	-	-	412,060	-	412,060
Open Space	508,545	-	-	-	508,545
Assigned for:					
Future Capital Projects	1,139,016	1,278,068	-	-	2,417,084
Equipment Replacement	500,000	-	-	-	500,000
Contingencies and Emergencies	3,000,000	-	-	-	3,000,000
Other Purposes	-	-	-	152,543	152,543
Unassigned	2,721,644	-	-	-	2,721,644
Total Fund Balances	<u>7,873,573</u>	<u>1,278,068</u>	<u>417,652</u>	<u>153,808</u>	<u>9,723,101</u>
Total Liabilities and Fund Balances	<u>\$ 8,185,820</u>	<u>\$ 1,287,120</u>	<u>\$ 418,123</u>	<u>\$ 158,014</u>	<u>\$ 10,049,077</u>

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
December 31, 2016

Total Governmental Fund Balances	\$ 9,723,101
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of assets	9,165,388	
Accumulated depreciation	<u>(2,802,128)</u>	6,363,260

Earned Income Taxes Receivable is recorded if collected within 60 days after year-end on the fund financial statements whereas the full accrual method is used on the entity-wide statements.	216,685
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Payments made for insurance benefiting future periods are reflected as Prepaid Insurance on the government-wide financial statements, but were recorded as expenditures on the funds statements.	<u>35,586</u>
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Net Position of Governmental Activities	<u><u>\$ 16,338,632</u></u>
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The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Reserve	Highway Aid	Non-Major Funds	Total Governmental Funds
REVENUES:					
Real Estate Taxes	\$ 169,198	\$ -	\$ -	\$ 130,701	\$ 299,899
Real Estate Transfer Taxes	218,151	-	-	-	218,151
Earned Income Taxes	2,312,238	-	-	-	2,312,238
Licenses and Permits	184,930	-	-	-	184,930
Fines and Forfeits	5,887	-	-	-	5,887
Interest Earnings	15,107	3,088	542	261	18,998
Intergovernmental Revenues	156,551	-	559,899	-	716,450
Charges for Services	39,052	-	-	-	39,052
Miscellaneous Revenues	42,223	-	-	-	42,223
Total Revenues	3,143,337	3,088	560,441	130,962	3,837,828
EXPENDITURES:					
Current Operating:					
General Government	781,067	11,438	-	4,183	796,688
Public Safety	113,557	-	-	-	113,557
Public Works - Sanitation	29,446	-	-	-	29,446
Public Works - Highway and Streets	648,915	554,849	177,715	-	1,381,479
Culture and Recreation	83,795	-	-	-	83,795
Miscellaneous Expenditures	89,253	-	-	-	89,253
Total Expenditures	1,746,033	566,287	177,715	4,183	2,494,218
Excess of Revenues Over (Under) Expenditures	1,397,304	(563,199)	382,726	126,779	1,343,610
OTHER FINANCING SOURCES (USES):					
Refund of Prior Year Expense	1,400	-	-	-	1,400
Transfer to Component Unit	(67,063)	-	-	(40,683)	(107,746)
Transfers In	120,314	500,000	9,202	-	629,516
Transfers Out	(509,202)	-	-	(120,314)	(629,516)
Total Other Financing Sources and Uses	(454,551)	500,000	9,202	(160,997)	(106,346)
Net Change in Fund Balances	942,753	(63,199)	391,928	(34,218)	1,237,264
Fund Balances - Beginning of Year	6,930,820	1,341,267	25,724	188,026	8,485,837
Fund Balances - End of Year	\$ 7,873,573	\$ 1,278,068	\$ 417,652	\$ 153,808	\$ 9,723,101

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Governmental Funds		\$ 1,237,264
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from outlays in the period.</p>		
Depreciation expense	\$ (246,389)	
Capital Outlays	<u>139,882</u>	(106,507)
<p>Change in Earned Income Taxes Receivable recorded under the 60-day rule on the fund financial statements compared to full accrual on the entity-wide statements.</p>		
		(50,064)
<p>Prepaid Insurance is an expenditure on the funds statements and an asset on the entity-wide statements.</p>		
		<u>(3,266)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 1,077,427</u></u>

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Net Position - Fiduciary Funds
December 31, 2016

	<u>Trust Fund</u>	<u>Agency Fund</u>
	<u>Municipal Pension Fund</u>	<u>Land Development Escrow Fund</u>
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 370,525
Investments	<u>456,185</u>	<u>-</u>
Total Assets	<u><u>\$ 456,185</u></u>	<u><u>\$ 370,525</u></u>
LIABILITIES:		
Due to General Fund	\$ -	\$ 184
Escrowed Subdivision Fees	<u>-</u>	<u>370,341</u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 370,525</u></u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 456,185</u></u>	

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Statement of Changes in Net Position - Fiduciary Fund
For the Year Ended December 31, 2016

	Trust Fund
	Municipal Pension Fund
ADDITIONS:	
Contributions:	
Employer	\$ 28,999
Total Contributions	28,999
Investment Earnings:	
Interest and Dividends	6,787
Realized and Unrealized Gain on Investments	12,946
Total Investment Earnings	19,733
Total Additions	48,732
DEDUCTIONS:	
Lump Sum Payments	54
Administrative Expenses	4,637
Total Deductions	4,691
Change in Net Position	44,041
Net Position - Beginning of Year	412,144
Net Position - End of Year	\$ 456,185

The accompanying notes are an integral part of these financial statements.

PERKIOMEN TOWNSHIP
Notes to Financial Statements

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Perkiomen Township have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to State and Local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Township are described below.

A. The Financial Reporting Entity:

Perkiomen Township is a municipality governed by an elected five-member board. The Township's financial reporting entity is comprised of Perkiomen Township (the primary government) and its discretely presented component units.

A component unit is a legal entity that is either a separate government organization that is not a primary government, a not-for-profit corporation, or a for-profit corporation, that meets any one of the following four conditions:

1. The primary government appoints a voting majority of the entity's governing body; and the primary government can impose its will on the entity, and/or a financial benefit/burden relationship exists between the primary government and the entity.
2. The entity is fiscally dependent on the primary government and has a financial benefit/burden relationship with the primary government.
3. The primary government holds a majority equity interest in the entity for purpose of facilitating government services; or
4. The primary government's financial statements would be misleading if the entity was excluded.

A component's unit financial statements are blended with the financial statements of the primary government when one of the following four circumstances is met:

1. There is substantively the same governing body for both the primary government and the component unit; and there is a financial benefit or burden relationship between the primary government and the component unit, or the operational responsibility for the component unit rests with management of the primary government.
2. A component unit provides services entirely (or almost entirely) to the primary government or benefits the primary government exclusively (or almost exclusively).
3. A component's unit debt, including leases, is expected to be repaid entirely or almost entirely with the primary government's resources.
4. A component unit is incorporated as a not-for-profit corporation and the primary government is the sole corporate member.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Those component units' financial statements are presented discretely in the primary government's government-wide financial statements.

1. The Perkiomen Township Municipal Authority is a body corporate and politic formed on March 20, 1969, under the Municipality Authority Act of 1945. The Authority constructed and operates a sewage collection system in the Township to connect with the sewage treatment plant operated by the Lower Perkiomen Valley Regional Sewer Authority. The members of the Municipal Authority are appointed by the Township Board of Supervisors.
2. The Perkiomen Township Fire Company is a separate nonprofit entity, which operates independently of the Township but services the same geographic area. The Township instituted a fire tax which assists the Fire Company to finance its operations. The Fire Company Board is elected by its members.

These financial statements present summarized financial statements for these component units. Complete financial statements of the Municipal Authority can be obtained from their administrative offices.

B. Basis of Presentation:

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole, including the discretely presented component units. These statements distinguish

between activities that are governmental and those that are considered business-type activities. The Township does not have any business-type activities. These statements exclude fiduciary activities.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between expenses and program revenues for each functional area. Expenses are those that are specifically associated with and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each functional area is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers, which are eliminated to avoid “doubling up” revenues and expenses.

Net position is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are represented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Township considers property taxes and earned income taxes as available if they are collected within 60 days after year-end. Revenues for state and federally funded projects are recognized at the time the expenditures are made. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The Township reports the following major governmental funds:

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 all activities except those legally or administratively required to be accounted for in other funds.

The Capital Reserve Fund was established to accumulate resources for future equipment and facilities maintenance expenditures.

The Highway Aid Fund is used to account for the proceeds of state grants earmarked for highways and streets.

The Township operates the following non-major funds: Street Light Fund, Fire Tax Fund and Municipal Services and Facilities Fund.

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, or others. The Township has one private-purpose trust fund, the Municipal Pension Fund, which accounts for all pension activity.

The Township also has an agency fund, the Land Development Escrow Fund, which accounts for funds paid by developers in advance to be used for land subdivision costs. Funds received in excess of total costs are returned to the developers. The agency fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

C. Use of Estimates:

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

D. Budgets:

Annual appropriated budgets are adopted for the general and special revenue funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

E. Cash and Investments:

Cash includes amounts in demand deposits. The PA Act 10 of March 25, 2016, sets forth those investments in which the Township may invest, which include certificates of deposit, obligations of the United States Treasury, and other secured and insured investments. Investments are stated at market value.

F. Capital Assets:

Primary Government:

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements and are recorded at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital acquisition and construction are reflected as expenditures in the fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Township is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	15 - 50 Years
Infrastructure	20 - 40 Years
Furniture and Fixtures	10 Years
Equipment	3 - 7 Years
Vehicles	7 - 10 Years

Component Units:

Perkiomen Township Fire Company buildings and equipment are recorded at cost or estimated historical cost. Assets are depreciated on a straight-line basis over assets' lives ranging from 5 to 10 years on equipment and trucks, and 39 years for the building.

Perkiomen Township Municipal Authority assets are recorded at cost and are depreciated over their estimated useful lives. Equipment is depreciated over 5 to 10 years using the straight-line method. The sewer system and additions to the sewer system are being depreciated over a 50-year life using the straight-line method.

G. Property Taxes

The tax on real estate in Perkiomen Township for 2016 was .62 mills (\$.62 per \$1,000 of assessed valuation) as levied by the Supervisors. The breakdown of the millage is .35 mills for general purposes and .27 mills for fire safety. Assessed valuations of property are determined by Montgomery County, and the tax collector is responsible for collection. The schedule for real estate taxes levied for 2016 was as follows:

March 1	Levy Date
March 1 – April 30	2% Discount Period
May 1 – June 30	Face Payment Period
July 1 – December 31, 2016	10% Penalty Period
January 15, 2017	Lien Date

H. Sick Leave/Vacation Pay:

The Township's policy regarding sick leave provides that employees may carry up to 60 days of sick leave forward with no provision for payout of this accumulated time upon termination, therefore, a liability is not recorded. The policy for vacation pay is that unused vacation may not be carried forward from year to year.

I. Long-Term Obligations:

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

J. Fund Balance:

In accordance with the Government Accounting Standards Board 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the Township classifies governmental fund balances as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Supervisors.
- Unassigned – Includes positive fund balances within the General Fund that have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed.

The Board of Supervisors establishes fund balance commitments by passage of resolutions or ordinances. Assigned fund balances are established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purposes such as acquisition, construction, and renovation of major capital facilities in its general fund, and for the purchase of equipment and future facilities maintenance in its capital reserve fund.

The Township does not have a minimum fund balance policy for its general fund.

K. Subsequent Events:

Management has evaluated subsequent events through June 15, 2017, which is the date the financial statements were available to be issued.

2. **LEGAL COMPLIANCE - BUDGETS:**

An annual budget is prepared for each governmental fund. The proposed budget is presented to and approved by the Board of Supervisors each year. The budget is published as required by Township code.

3. **DEPOSITS AND INVESTMENTS:**

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk is to have uninsured deposits collateralized, pursuant to Pennsylvania Act 72 of 1971, as amended.

At December 31, 2016, the carrying amount of the Township's deposits was \$7,542,065, and the bank balances were \$7,591,631. The carrying amount of the Municipal Authority Sewer Fund's deposit was \$1,152,294 and the bank balance was \$1,152,520 at December 31, 2016. For the Fire Company, the carrying amount of the deposits was \$317,413 and the bank balances were \$317,875 at December 31, 2016. The bank balances of all accounts are covered by Federal depository insurance up to \$250,000 or pooled collateral held by the applicable custodian financial institution under the provisions of Act 72 of 1971. As of December 31, 2016, the portions of the balances exposed to custodial credit risk were as follows:

Uninsured and collateral held by pledging banks	
Trust Department not in the Township's name:	
Township	\$7,341,631
Municipal Authority	902,520
Fire Company	67,875

Custodial Credit Risk - Investments:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has no formal investment policy with respect to custodial credit risk. Under the Second Class Township Code, each year the Township appoints financial institutions for which deposit services are provided.

Interest Rate Risk - Investments:

The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments:

Pennsylvania municipalities are required to invest funds consistent with sound business practice. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The credit quality ratings as described by a nationally-recognized statistical rating organization is disclosed for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. Unless contrary information exists, investments in obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The primary government and the discretely presented component unit's investments are summarized below:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government:		
Mutual Funds	\$ 2,092,728	\$ 2,092,728
Fiduciary Funds:		
Mutual Funds	456,185	456,185
Perkiomen Township Municipal Authority:		
Mutual Funds	3,696,713	3,696,713
Perkiomen Township Fire Company:		
Certificates of Deposit	<u>140,072</u>	<u>140,072</u>
Total Investments	<u><u>\$ 6,385,698</u></u>	<u><u>\$ 6,385,698</u></u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments held in the fiduciary funds, Perkiomen Township

Municipal Authority and Perkiomen Fire Company consist of open-ended mutual funds and certificate of deposits, and as such, are not exposed to custodial credit risk. Investments are carried at market value on the primary government and on the discretely presented component units. Pension Fund investments are carried at fair market value.

4. INTERFUND RECEIVABLES AND PAYABLES:

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as “interfund receivables” and “interfund payables”. Interfund receivables/payables consisted of the following at December 31, 2016:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Fire Tax	General	\$ 4,184
Land Development	General	184
General	Liquid Fuels	5,592
General	Fire Tax	<u>1,265</u>
Total		<u><u>\$ 11,225</u></u>

All of the above interfund receivables and payables between funds of governmental activities and have been eliminated in the government-wide statements except for the Land Development Fund.

5. TAXES RECEIVABLE:

Taxes receivable on the Statement of Net Position and the Balance Sheet – Governmental Funds at December 31, 2016, consist of the following:

Earned Income Taxes	\$ 641,856
Real Estate Transfer Tax	19,884
Real Estate Taxes	<u>2,426</u>
Total	<u><u>\$ 664,166</u></u>

6. OTHER RECEIVABLES:

Governmental Activities and Funds

Other receivables on the Statement of Net Position and the Balance Sheet – Governmental Funds at December 31, 2016, consist of the following:

Cable TV Franchise Fees	\$ 45,711
EIT	856
Permits	1,570
Refund	1,400
Supplies	218
Operating Grant	36,930
Vehicle & Crime Fines	75
Total	<u>\$ 86,760</u>

7. CAPITAL ASSETS:

Township:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,537,002	\$ -	\$ -	\$ 3,537,002
Total Capital Assets Not Being Depreciated	<u>3,537,002</u>	<u>-</u>	<u>-</u>	<u>3,537,002</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	1,709,970	-	-	1,709,970
Infrastructure	2,562,383	59,640	-	2,622,023
Furniture and Fixtures	104,007	-	-	104,007
Equipment	739,869	80,242	-	820,111
Vehicles	372,275	-	-	372,275
Totals Capital Assets Being Depreciated	<u>5,488,504</u>	<u>139,882</u>	<u>-</u>	<u>5,628,386</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(899,522)	(43,058)	-	(942,580)
Infrastructure	(762,296)	(96,121)	-	(858,417)
Furniture and Fixtures	(79,055)	(7,529)	-	(86,584)
Equipment	(487,419)	(79,832)	-	(567,251)
Vehicles	(327,447)	(19,849)	-	(347,296)
Total Accumulated Depreciation	<u>(2,555,739)</u>	<u>(246,389)</u>	<u>-</u>	<u>(2,802,128)</u>
Governmental Activities Assets, Net	<u>\$ 6,469,767</u>	<u>\$ (106,507)</u>	<u>\$ -</u>	<u>\$ 6,363,260</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General Government	\$ 43,054
Public Safety	2,646
Public Works - Highway	199,582
Culture and Recreation	1,047
Unallocated	<u>60</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 246,389</u></u>

Component Units:

Capital Assets presented in the component unit financial statements are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Perkiomen Township Municipal Authority:				
Capital Assets Being Depreciated:				
Sewer System	\$ 5,292,909	\$ 362,301	\$ -	\$ 5,655,210
Equipment	<u>320,779</u>	<u>12,366</u>	<u>-</u>	<u>333,145</u>
Totals Capital Assets Being Depreciated	<u>5,613,688</u>	<u>374,667</u>	<u>-</u>	<u>5,988,355</u>
Less Accumulated Depreciation:				
Sewer System	(2,857,025)	(106,462)	-	(2,963,487)
Equipment	<u>(292,184)</u>	<u>(9,548)</u>	<u>-</u>	<u>(301,732)</u>
Total Accumulated Depreciation	<u>(3,149,209)</u>	<u>(116,010)</u>	<u>-</u>	<u>(3,265,219)</u>
Perkiomen Township Municipal Authority Capital Assets, Net	<u><u>\$ 2,464,479</u></u>	<u><u>\$ 258,657</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,723,136</u></u>
Perkiomen Township Fire Company:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 851,901	\$ -	\$ -	\$ 851,901
Equipment	636,771	56,461	-	693,232
Vehicles	<u>1,113,358</u>	<u>-</u>	<u>-</u>	<u>1,113,358</u>
Totals Capital Assets Being Depreciated	<u>2,602,030</u>	<u>56,461</u>	<u>-</u>	<u>2,658,491</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	(431,165)	(23,563)	-	(454,728)
Equipment	(390,060)	(75,033)	-	(465,093)
Vehicles	<u>(864,537)</u>	<u>(58,007)</u>	<u>-</u>	<u>(922,544)</u>
Total Accumulated Depreciation	<u>(1,685,762)</u>	<u>(156,603)</u>	<u>-</u>	<u>(1,842,365)</u>
Perkiomen Township Fire Company Capital Assets, Net	<u><u>\$ 916,268</u></u>	<u><u>\$ (100,142)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 816,126</u></u>

8. DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources on the Balance Sheet – Government Funds as of December 31, 2016 totaling \$216,685 consist of earned income taxes that do not meet the availability criteria for the fund financial statements. These earned income taxes are recorded as revenue on the government-wide statement.

9. GENERAL LONG-TERM DEBT:

Component Units:

Perkiomen Township Fire Company - Notes Payable:

During the year ended December 31, 2009, the Fire Company purchased a new fire truck for a total price of \$471,073. The Fire Company financed \$241,856 of these costs by obtaining two promissory notes; one from the Commonwealth of Pennsylvania and the other from Volunteer's Financial Services.

The Fire Company obtained a \$160,000 promissory note from the Commonwealth of Pennsylvania through the Pennsylvania Emergency Management Agency (PEMA), dated November 12, 2009. This note is payable in 180 equal monthly installments of \$1,030, including principal and interest at 2%, maturing December 1, 2024.

On August 26, 2009, the Fire Company obtained an \$81,856 promissory note from the Volunteer's Financial Services. This note calls for 7 annual payments of \$15,190, including principal and interest at 7%, with the first payment due August 26, 2010.

Perkiomen Township Fire Company – Mortgage Payable:

The Fire Company obtained a \$174,397 promissory note from the Commonwealth of Pennsylvania through the Pennsylvania Emergency Management Agency (PEMA), dated May 28, 1997. This note is payable in 240 equal monthly installments of \$882, including principal and interest at 2%, maturing June 1, 2017.

Debt Maturities:

Maturities of debt over the next five years on the above notes payable are as follows:

	2017	2018	2019	2020	2021	2022-2024	Total
<u>Perkiomen Township Fire Company:</u>							
Note Payable:							
PEMA Note # 10673	\$ 10,609	\$ 10,824	\$ 11,042	\$ 11,265	\$ 11,492	\$ 37,732	\$ 92,964
Mortgage Payable:							
PEMA Note # 18818	5,261	-	-	-	-	-	5,261
Principal	15,870	10,824	11,042	11,265	11,492	37,732	98,225
Interest	1,777	1,531	1,313	1,090	863	1,179	7,753
Total	\$ 17,647	\$ 12,355	\$ 12,355	\$ 12,355	\$ 12,355	\$ 38,911	\$ 105,978

Changes in General Long-Term Debt:

The following summarizes the changes in general long-term debt for the Township and discretely presented component units for the year ended December 31, 2016:

	Beginning Balance	Additions	Repayments	Ending Balance
<u>Perkiomen Township Fire Company:</u>				
Notes Payable:				
Promissory Note to PEMA - # 10673	\$ 103,363	\$ -	\$ 10,399	\$ 92,964
Total Notes Payable	103,363	-	10,399	92,964
Mortgage Payable:				
Promissory Note to PEMA - # 18818	15,631	-	10,370	5,261
Total Mortgage Payable	15,631	-	10,370	5,261
Total Perkiomen Township Fire Company	\$ 118,994	\$ -	\$ 20,769	\$ 98,225

10. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Township expects such amounts, if any, to be immaterial.

11. PERKIOMEN TOWNSHIP NON-UNIFORMED PENSION PLAN:

Description of Plan:

A. General

The Perkiomen Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance No. 126. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of

Township Supervisors has delegated the authority to manage certain plan assets to the Pennsylvania State Association of Boroughs (PSAB).

B. Plan Membership

As of December 31, 2016, the pension plan's membership consisted of:

Active employees	7
Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>2</u>
Total	<u><u>9</u></u>

C. Benefit Provisions

As of December 31, 2016, the pension plan's benefit provisions were as follows:

- Eligibility Requirements: Full-time employees that work over 35 hours a week are eligible for the plan upon completion of six months of service;
- Retirement Benefit: Normal Retirement – Benefits are payable upon attainment of age 65; Early Retirement – Benefits are payable upon attainment of age 62; Vesting – Based upon completed years of service; and
- Other Benefits – The plan also provides for death and disability benefits.

D. Funding Policy

Active members are not required to contribute to the plan. The municipality is required to contribute six percent of each eligible participant's base compensation.

The pension plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program, which must be used to reduce or eliminate the required municipal contribution. Contributions to the plan for 2016 totaled \$28,999, of which \$26,680 represented aid from the State. The total investments of \$456,185 under the plan are invested with the PSAB Municipal Retirement Trust, which represents 100% of the plan assets.

Summary of Significant Accounting Policies:

A. Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

B. Valuation of Investments

Investments are reported at market value. Consequently, the investment account is adjusted for unrealized gains and unrealized losses.

C. Deposits and Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments held in the fiduciary funds consist of open-ended mutual funds, and as such, are not exposed to custodial credit risk.

12. DEFERRED COMPENSATION (IRC § 457(b)) PLAN:

The Township established a deferred compensation plan to provide employees a convenient way to save for retirement. Under the plan, deferred compensation is held until paid to the participant or to his/her beneficiary according to the provisions of the plan. An employee may become a participant in the plan by completing and executing the forms required by the plan administrator. Contribution limits are determined in accordance with IRC Code § 457(c)2, which currently limits the amount that may be deferred to the lesser of \$18,000, or 100% of the participant's compensation. Additional catch-up contributions may be made by employees who are 50 years of age or older. Catch-up contributions of \$6,000 were allowed for the year ended December 31, 2016. The investment of funds under the plan is self-directed by the participants and administered by the plan administrator. The Township has no fiduciary responsibility under the plan.

13. RESTRICTED NET POSITION/RESERVED FUND BALANCES:

A. Restricted Net Position:

In the Statement of Net Position, the restricted net position of the primary government consists of assets restricted for Special Revenue funds and assets restricted for other purposes. The Special Revenue restricted net position is legally restricted for the specific purpose for which the fund was created. The amount that is restricted for other purposes is for the purchase of open space.

B. Fund Balances:

In the Balance Sheet – Governmental Funds, the restricted fund balances consist of the special revenue funds (Highway Aid) and assets restricted for open space.

Assigned fund balances are for future capital projects, equipment replacement, contingencies and emergencies, and other purposes identified by the Board of Supervisors.

14. PRIOR PERIOD ADJUSTMENT

Prior years' earned income taxes receivable were overstated, resulting in an inaccurate estimate used in calculating the annual receivable for the entity-wide financial statements. The effect was to overstate revenue and net assets on the entity-wide financial statements. The correction of the cumulative effect of the overstated receivables was to reduce the earned income taxes receivable and net assets by \$732,550 at the beginning of the current fiscal year.

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES:			
Real Estate Taxes	\$ 170,000	\$ 169,198	\$ (802)
Real Estate Transfer Taxes	175,045	218,151	43,106
Earned Income Taxes	1,700,000	2,312,238	612,238
Licenses and Permits	102,800	184,930	82,130
Fines and Forfeits	3,000	5,887	2,887
Interest Earnings	4,000	15,107	11,107
Intergovernmental Revenues	112,402	156,551	44,149
Charges for Services	-	39,052	39,052
Miscellaneous Revenues	20,750	42,223	21,473
Total Revenues	2,287,997	3,143,337	855,340
EXPENDITURES:			
General Government	865,432	781,067	84,365
Public Safety	107,291	113,557	(6,266)
Public Works - Sanitation	71,878	29,446	42,432
Public Works - Highway and Streets	619,396	648,915	(29,519)
Culture and Recreation	223,934	83,795	140,139
Miscellaneous Expenditures	101,500	89,253	12,247
Debt Service - Principal	311,260	-	311,260
Debt Service - Interest	4,306	-	4,306
Total Expenditures	2,304,997	1,746,033	558,964
Excess of Revenues Over (Under) Expenditures	(17,000)	1,397,304	1,414,304
OTHER FINANCING SOURCES (USES):			
Refund of Prior Year Expenditures	85,000	1,400	(83,600)
Transfer to Component Unit	(68,000)	(67,063)	937
Transfers In	997,000	120,314	(876,686)
Transfers Out	(997,000)	(509,202)	487,798
Total Other Financing Sources (Uses)	17,000	(454,551)	(471,551)
Net Change in Fund Balance	-	942,753	942,753
FUND BALANCE - JANUARY 1, 2016	-	6,930,820	6,930,820
FUND BALANCE - DECEMBER 31, 2016	\$ -	\$ 7,873,573	\$ 7,873,573

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - Capital Reserve Fund
For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES:			
Interest Earnings	\$ -	\$ 3,088	\$ 3,088
Total Revenues	<u>-</u>	<u>3,088</u>	<u>3,088</u>
EXPENDITURES:			
General Government	-	11,438	(11,438)
Public Works - Highways & Streets	<u>997,000</u>	<u>554,849</u>	<u>442,151</u>
Total Expenditures	<u>997,000</u>	<u>566,287</u>	<u>430,713</u>
OTHER FINANCING SOURCES :			
Transfers In	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total Other Financing Sources	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net Change in Fund Balance	(997,000)	(63,199)	933,801
FUND BALANCE - JANUARY 1, 2016	<u>997,000</u>	<u>1,341,267</u>	<u>344,267</u>
FUND BALANCE - DECEMBER 31, 2016	<u><u>\$ -</u></u>	<u><u>\$ 1,278,068</u></u>	<u><u>\$ 1,278,068</u></u>

PERKIOMEN TOWNSHIP
Budgetary Comparison Schedule - Highway Aid Fund
For the Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES:			
Interest Earnings	\$ 100	\$ 542	\$ 442
Intergovernmental Revenues	239,334	559,899	320,565
Total Revenues	239,434	560,441	321,007
EXPENDITURES:			
Public Works - Highway and Streets	223,853	177,715	46,138
Total Expenditures	223,853	177,715	46,138
OTHER FINANCING SOURCES :			
Transfers In	-	9,202	9,202
Total Other Financing Sources	-	9,202	9,202
Net Change in Fund Balance	15,581	391,928	376,347
FUND BALANCE - JANUARY 1, 2016	-	25,724	25,724
FUND BALANCE - DECEMBER 31, 2016	\$ 15,581	\$ 417,652	\$ 402,071

PERKIOMEN TOWNSHIP
Combining Balance Sheet
All Non-Major Funds
December 31, 2016

ASSETS	Street Light Fund	Fire Tax Fund	Municipal Services and Facilities	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents	\$ -	\$ 105,105	\$ 8,304	\$ 113,409
Investments	-	41,469	-	41,469
Interfund Receivables	-	1,265	-	1,265
Taxes Receivable	-	1,871	-	1,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ -</u>	<u>\$ 149,710</u>	<u>\$ 8,304</u>	<u>\$ 158,014</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ -	\$ 22	\$ -	\$ 22
Interfund Payables	-	4,184	-	4,184
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	-	4,206	-	4,206
Fund Balances:				
Non-Spendable	-	1,265	-	1,265
Assigned	-	144,239	8,304	152,543
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	-	145,504	8,304	153,808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 149,710</u>	<u>\$ 8,304</u>	<u>\$ 158,014</u>

PERKIOMEN TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Non-Major Funds
For the Year Ended December 31, 2016

	Street Light Fund	Fire Tax Fund	Municipal Services and Facilities	Total
REVENUES:				
Real Estate Taxes	\$ -	\$ 130,701	\$ -	\$ 130,701
Interest Earnings	141	117	3	261
 Total Revenues	 141	 130,818	 3	 130,962
 EXPENDITURES:				
General Government	-	4,183	-	4,183
 Total Expenditures	 -	 4,183	 -	 4,183
 Excess of Revenues Over Expenditures	 141	 126,635	 3	 126,779
 OTHER FINANCING SOURCES (USES):				
Transfers Out	(60,314)	(60,000)	-	(120,314)
Transfers to Component Unit	-	(40,683)	-	(40,683)
 Total Other Financing Uses	 (60,314)	 (100,683)	 -	 (160,997)
 Net Change in Fund Balances	 (60,173)	 25,952	 3	 (34,218)
 FUND BALANCES - JANUARY 1, 2016	 60,173	 119,552	 8,301	 188,026
 FUND BALANCES - DECEMBER 31, 2016	 \$ -	 \$ 145,504	 \$ 8,304	 \$ 153,808

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Supervisors
Perkiomen Township
Collegeville, Montgomery County, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perkiomen Township, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Perkiomen Township's basic financial statements and have issued our report thereon dated June 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perkiomen Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perkiomen Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Perkiomen Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency [2016-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perkiomen Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Perkiomen Township's Response to Findings

Perkiomen Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Perkiomen Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

East Norriton, Pennsylvania
June 15, 2017

PERKIOMEN TOWNSHIP
Schedule of Findings and Responses
For the Year Ended December 31, 2016

Finding

2016 - 1 Segregation of Duties

Condition: Due to the small size of the Township, there is a lack of segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that proper approvals are obtained.

Cause: Internal controls over segregation of duties are inadequately designed.

Effect: Because of the lack of segregation of duties, proper recording of transactions and approval from the proper level of management may not occur.

Recommendation: Due to the small size of the Township office staff, proper segregation of duties is not possible. Procedures are designed to maximize internal control over the accounting function given the size of the Township's staff.