

**SMITHFIELD TOWNSHIP,  
MONROE COUNTY, PENNSYLVANIA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Smithfield Township  
East Stroudsburg, Pennsylvania

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Qualified Opinion**

Management has not received the 2016 GASB 68 Pension reports in time for presentation in these financial statements. The 2015 GASB information is included in these financial statements. The amount by which this would affect the assets, pension fund balances, and revenues has not been determined. In our opinion, except for the effects of not receiving current year GASB 68 reports for the pension funds required for the footnotes and the current net pension asset or liability, the financial statements present fairly, in all material respects, the financial position of the pension funds of the Smithfield 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.

### **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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Smithfield 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*

Smithfield Township's management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 36 and 39, and the non-uniform pension plan schedules of Changes in Net Pension Liability and Employer Contributions on pages 37 and 38, 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 Smithfield Township's basic financial statements. The combining and individual nonmajor fund financial statements and statistical section 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.

*Kirk, Summa & Co., LLP*

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	Governmental Activities	Component Unit Sewer Authority
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,049,217	\$ 210,749
Investments	57,077	98
Receivables (net of allowance for doubtful accounts):		
Taxes	48,227	-
Engineer and legal fees	5,532	-
Sewer user fees	-	728,752
Due from Smithfield Sewer Authority- current portion	390,000	-
Due from other funds	548	
Due from other governments	1,500	-
Prepaid insurance	834	5,421
Total Current Assets:	3,552,935	945,020
Capital Assets:		
Land	130,527	-
Construction in progress	18,916	-
Buildings and contents	6,120,041	-
Land improvements	1,260,750	-
Vehicles	720,546	-
Office equipment	26,836	-
Machinery and equipment	663,641	-
Infrastructure	2,241,774	-
Sewer Authority capital assets	-	16,745,964
	11,183,031	16,745,964
Less: accumulated depreciation	(3,019,973)	(7,027,609)
Total Capital Assets, net	8,163,058	9,718,355
Other Assets:		
Due from Smithfield Sewer Authority, net of current portion	2,635,000	-
Original issue discount, net	20,335	21,108
Total Other Assets	2,655,335	21,108
Total Assets	14,371,328	10,684,483
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Net difference between projected and actual earnings on pension plan investments	4,194	-
Total Assets and Deferred outflows of resources	<u>\$ 14,375,522</u>	<u>\$ 10,684,483</u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
GOVERNMENT-WIDE STATEMENT OF NET POSITION - continued  
DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Component Unit Sewer Authority</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 57,388	\$ 26,025
Payroll taxes payable	1,517	-
Due from other funds	548	-
Accrued wages	13,179	-
Accrued interest	69,771	37,423
Unamortized bond premiums	39,389	89,342
Total Current Liabilities	<u>181,792</u>	<u>152,790</u>
Long-term Liabilities:		
Accrued compensated absences	1,131	-
Net pension liability	5,178	-
Long-term debt:		
Due or payable within one year	560,000	48,552
Due or payable - capital lease - within one year	28,318	-
Due to Smithfield Township within one year	-	390,000
Due to Smithfield Township after one year	-	2,635,000
Due or payable after one year	5,090,000	1,050,952
Due or payable - capital lease - after one year	92,707	-
Total long-term debt	<u>5,771,025</u>	<u>4,124,504</u>
Total Long-term Liabilities	<u>5,777,334</u>	<u>4,124,504</u>
 Total Liabilities	 5,959,126	 4,277,294
<b>NET POSITION</b>		
Contributed Capital - Sewer Authority	-	2,032,124
Invested in capital assets, net of related debt	2,513,058	5,593,851
Restricted	5,633	-
Unrestricted	5,897,705	(1,218,786)
	<u>8,416,396</u>	<u>4,375,065</u>
Total Net Position	<u>8,416,396</u>	<u>6,407,189</u>
 Total Liabilities and Net Position	 <u>\$ 14,375,522</u>	 <u>\$ 10,684,483</u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
					Governmental Activities	Sewer Authority
Governmental activities:						
General government	\$ 405,056	\$ 54,445	\$ 5,528	\$ -	\$ (345,083)	\$ -
Public safety and protective inspection	290,700	48,592	57,549	-	(184,559)	-
Public works - other	76,103	90,023	1,214	-	15,134	-
Highways and streets	651,048	-	309,226	-	(341,822)	-
Water system	782	-	-	-	(782)	-
Parks and recreation	43,640	1,680	-	3,772	(38,188)	-
Conservation of natural resources	5,781	-	-	-	(5,781)	-
Payroll taxes	35,798	-	-	-	(35,798)	-
Pension	23,343	-	14,820	-	(8,523)	-
Other employer paid benefits	265,090	-	-	-	(265,090)	-
Interest (unallocated)	69,193	-	-	-	(69,193)	-
Depreciation (unallocated)	282,169	-	-	-	(282,169)	-
Insurance	51,801	-	-	-	(51,801)	-
Total governmental activities	2,200,504	194,740	388,337	3,772	(1,613,655)	-
Business-type activities:						
Component unit - Sewer Authority	1,225,500	1,693,052	-	-	-	467,552
Total government	<u>\$ 3,426,004</u>	<u>\$ 1,887,792</u>	<u>\$ 388,337</u>	<u>\$ 3,772</u>	-	-
General Revenues:						
Taxes					1,544,272	-
Licenses and permits					159,524	-
Gain on sale of fixed assets					175,000	-
Fines, forfeits and penalties					2,057	-
Interest					42,183	6,113
Miscellaneous					37,612	-
Total general revenues					<u>1,960,648</u>	<u>6,113</u>
Change in net position					346,993	473,665
Net position at beginning of year					8,069,403	3,774,392
Depreciation of Authority's contributed capital					-	127,008
Net position at end of year					<u>\$ 8,416,396</u>	<u>\$ 4,375,065</u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General Fund	Highway Fund	Special Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 2,748,363	\$ 17,892	\$ 305,700	34,338	\$ 3,106,293
Taxes receivable	26,874	-	-	-	26,874
Professional fee reimbursements receivable	5,532	-	-	-	5,532
Due from other govts	-	-	-	1,500	1,500
Due from other funds	548	-	-	-	548
<b>Total assets</b>	<b>\$ 2,781,317</b>	<b>\$ 17,892</b>	<b>\$ 305,700</b>	<b>\$ 35,838</b>	<b>\$ 3,140,747</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 44,616	\$ 12,259	\$ -	\$ 512	\$ 57,387
Payroll tax liabilities	1,517	-	-	-	1,517
Accrued wages	13,179	-	-	-	13,179
Due to other funds	-	-	-	548	548
<b>Total Liabilities</b>	<b>59,312</b>	<b>12,259</b>	<b>-</b>	<b>1,060</b>	<b>72,631</b>
<b>Fund balances</b>					
Restricted	-	5,633	-	-	5,633
Assigned	-	-	305,700	34,778	340,478
Unassigned	2,722,005	-	-	-	2,722,005
<b>Total fund balances</b>	<b>2,722,005</b>	<b>5,633</b>	<b>305,700</b>	<b>34,778</b>	<b>3,068,116</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,781,317</b>	<b>\$ 17,892</b>	<b>\$ 305,700</b>	<b>\$ 35,838</b>	<b>\$ 3,140,747</b>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

Total fund balance - total governmental funds	\$ 2,947,091
Amounts reported for governmental activities in the statement of net assets are different because:	
Real estate taxes receivable that are not reported as current financial resources because they are not deemed collectible within sixty days of the fiscal year end.	21,353
Prepaid insurance is not recorded on the governmental balance sheet because it is not completely expensed within the sixty days using the modified accrual basis of accounting.	834
Amounts due from the Smithfield Sewer Authority are not reported as current financial resources and are therefore not deemed collectible under the modified accrual basis of accounting.	3,025,000
Capital assets and land used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	11,183,031
Accumulated depreciation from capital assets used in governmental activities are not current financial resources and therefore is not reported in the governmental funds balance sheet.	(3,019,973)
Intangible other assets, net of accumulated amortization, used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	(19,054)
Accrued interest is not accrued in governmental-type funds.	(69,771)
Accrued compensated absences payable are not accrued in governmental-type funds.	(1,131)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due or payable within one year	(560,000)
Due or payable after one year	(5,090,000)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the government-type fund statements	(5,178)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental-type fund:	
Deferred outflow of net difference between projected and actual earnings on pension plan investments	4,194
Net position of governmental activities	<u><u>\$ 8,416,396</u></u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Highway Fund	Special Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,544,272	\$ -	\$ -	\$ -	\$ 1,544,272
Licenses, permits and fees	159,524	-	-	-	159,524
Fines, forfeitures and penalties	2,057	-	-	-	2,057
Interest	8,927	446	1,090	90	10,553
Rental Income	31,631	-	-	-	31,631
Intergovernmental	79,112	309,226	-	3,772	392,110
Charges for services	190,589	-	-	4,150	194,739
Miscellaneous	32,905	-	-	4,202	37,107
Total revenues	2,049,017	309,672	1,090	12,214	2,371,993
<b>Other financing sources</b>					
Refunds of prior year's expenditures	504	-	-	-	504
Gain on sale of fixed assets	175,000	-	-	-	175,000
Interfund operating transfers in	-	-	-	25,000	25,000
Transfers from Authority for debt obligations	472,430	-	-	-	472,430
Total revenues and other financing sources	2,696,951	309,672	1,090	37,214	3,044,927
<b>Expenditures</b>					
General government	393,221	-	-	-	393,221
Public safety and protective inspection	290,700	-	-	-	290,700
Public works - other	76,103	-	-	-	76,103
Highways and streets	326,191	345,845	-	-	672,036
Water system	782	-	-	-	782
Parks and recreation	12,516	-	-	31,124	43,640
Conservation of natural resources	5,365	-	-	416	5,781
Debt service - principal	593,681	-	-	-	593,681
Debt service - interest	153,343	-	-	-	153,343
Payroll taxes	35,798	-	-	-	35,798
Pension	23,343	-	-	-	23,343
Insurance	51,872	-	-	-	51,872
Employee benefits	257,138	-	-	-	257,138
Total expenditures	2,220,053	345,845	-	31,540	2,597,438
<b>Other financing uses</b>					
Interfund operating transfers out	25,000	-	-	-	25,000
Refunds of prior year's revenues	-	-	-	-	-
Total expenditures and other financing uses	2,245,053	345,845	-	31,540	2,622,438
Net change in fund balances	451,898	(36,173)	1,090	5,674	422,489
Fund balances at beginning of year	2,270,107	41,806	304,610	29,104	2,645,627
Fund balances at end of year	\$ 2,722,005	\$ 5,633	\$ 305,700	\$ 34,778	\$ 3,068,116

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds	\$ 422,489
Amounts reported for governmental activities in the statement of activities are different because:	
Accrual of real estate taxes receivable that are not accrued for the modified accrual basis of accounting.	3,902
Accrual of prepaid insurance is not recorded on the governmental funds statements because it is not expendable within the sixty days required under the modified accrual basis of accounting.	71
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	176,824
Adjustments for assets removed due to sale of building	(178,192)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(282,169)
Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as expenditure in governmental funds.	(694)
Change in accrued compensated absences that are not accrued for the modified accrual basis of accounting.	54
Change in accrued interest that is not accrued for the modified accrual basis of accounting.	1,027
The amount of loan repayments from the Smithfield Sewer Authority recorded as revenues under the modified accrual basis of accounting.	(390,000)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences on the treatment of long-term debt and related items:	
Repayment of principal portion of long-term debt.	593,681
Change in net assets of governmental activities	<u><u>\$ 346,993</u></u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP**  
**MONROE COUNTY, PENNSYLVANIA**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**PENSION FUND**  
**DECEMBER 31, 2016**

	Non-Uniform Pension Fund
ASSETS	
Investments at fair value	
assets with PMRS	\$ 504,953
Township contributions receivable	-
	<hr/>
TOTAL ASSETS	<u>\$ 504,953</u>
LIABILITIES	
Net assets held in trust for	
pension benefits	<u>\$ 504,953</u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
PENSION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Non-Uniform Pension Fund
ADDITIONS	
Contributions	
Member	\$ 13,030
Municipal for Member	24,000
Total Contributions	<u>37,030</u>
Investment income	<u>25,040</u>
TOTAL ADDITIONS	<u>62,070</u>
DEDUCTIONS	
Administrative expense	<u>0</u>
TOTAL DEDUCTIONS	<u>-</u>
NET INCREASE	<u>62,070</u>
Net assets held in trust for pension benefits	
At beginning of year	<u>442,883</u>
At end of year	<u><u>\$ 504,953</u></u>

See accompanying notes to basic financial statements.

**SMITHFIELD SEWER AUTHORITY  
MONROE COUNTY, PENNSYLVANIA  
A COMPONENT UNIT OF SMITHFIELD TOWNSHIP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities:	
Cash received from customers	\$ 1,137,030
Cash received for other services	371
Cash payments for goods and services	(518,466)
Net cash flows provided by operating activities	<u>618,935</u>
Cash flows from non-capital financing activities:	
Grant receipts	555,651
Grant expenditures	(6,912)
EDU allocation fee	(220,479)
Net cash flows (used in) non-capital financing activities	<u>328,260</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,181,059)
Proceeds from long-term debt	720,653
Repayment of portion of loan from Smithfield Township	(422,099)
Payment of interest on long-term debt	(96,493)
Net cash flows (used in) capital and related financing activities	<u>(2,978,998)</u>
Cash flows from investing activities:	
Interest earned on cash balances	6,113
Net cash provided by investing activities	<u>6,113</u>
Net (decrease) in cash	(2,025,690)
Cash - January 1	2,236,537
Cash - December 31	<u><u>\$ 210,847</u></u>
Reconciliation of income from operations to net cash provided by operating activities:	
Operating income	\$ 235,784
Adjustments to reconcile operating income to cash provided by operating activities:	
Items in operating income not affecting cash:	
Depreciation	353,192
Changes in current assets and liabilities:	
Decrease in accounts receivable	26,838
(Increase) in prepaid expenses	(339)
Increase in unamortized bond premiums	3,781
Increase in accounts payable	16,395
(Decrease) in accrued debt interest	(715)
(Decrease) in unamortized bond premiums	(16,001)
Total adjustments	<u>383,151</u>
Net cash provided by operating activities	<u><u>\$ 618,935</u></u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
BALANCE SHEET  
ESCROW FUND  
DECEMBER 31, 2016**

ASSETS	
Cash	\$ 25,808
TOTAL ASSETS	<u>\$ 25,808</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Escrow Payable	\$ 25,808
FUND BALANCE	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,808</u>

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

Smithfield Township was formed in 1742 and operates as a second-class township in Monroe County, Pennsylvania. It operates using a Board of Supervisors (three) as its governing body.

The Township has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011.

**B. Financial Reporting Entity**

The report includes all of the services provided by the Township to residents and businesses within its boundaries. Township services provided include general administrative services, public safety (fire), highways and streets, planning and zoning, and recreation and community services. The criteria for including organizations as component units within the Township's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Township holds the corporate powers of the organization
- The Township appoints a voting majority of the organization's board
- The Township is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Township
- There is fiscal dependency by the organization on the Township

Based on the aforementioned criteria, the Township has one component unit – Smithfield Sewer Authority. The financial statements of Smithfield Sewer Authority can be reviewed at the Township's municipal building with prior scheduling with the Authority's management.

**C. Basis of Presentation**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities columns, has been removed from these statements.

**SMITHFIELD TOWNSHIP  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) 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) operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment or (3) capital grants and contributions that are restricted to meeting the capital requirement. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following major governmental funds:

**General Fund** - The General Fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid through the General Fund.

**Highway Fund** – The Highway Fund accounts for the Township's Liquid Fuels and Highway allocations for maintenance of Township roadways.

**Special Projects Fund** – The Special Projects Fund accounts for the Township's revenues allocated for restoration and land improvement projects funded by federal, state, and local grants

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

Measurement focus refers to what is being measured. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period. The Township considers taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
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DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The revenues susceptible to accrual are taxes, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

**E. Budgetary Control**

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.

**F. Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

**G. Capital Assets**

Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the governmental-type activities columns in the government-wide financial. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and plant	50 years
Machinery and equipment	5 years
Vehicles and transportation equipment	5 years
Infrastructure	15-50 years

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**G. Compensated Absences**

The Township's policy for accrual of compensated absences is to allow full-time employees to accrue a maximum of five days of vacation time, which must be used by March 31 of the subsequent year. The value of compensated absences at the end of the year is calculated by multiplying the number of accumulated hours by each employees pay rate as of the end of the year.

**H. Equity Classification Government-Wide**

Equity is classified as net position and displayed in three components for government-wide presentation:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of amounts with constraints placed on the use either 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.
- c. Unrestricted net position – All other amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**I. Equity Classification – Governmental Fund Financial Statements**

In the fund financial statements the Township reports fund balance classifications in accordance with the provisions of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following are a listing of fund balance categories:

Non-Spendable - Not in spendable form or legally or contractually required to remain intact.

Restricted - Externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – Only can be used for specific purposes pursuant to constraints by formal action of the highest level of decision-making authority. The Township's Committed Fund Balance is fund balance reporting required by the Township Supervisors, either because of a Township Policy or in the Township Policy Manual, or because of motions that passed at Board meetings.

Assigned – Constrained by intent to be or used for specific purpose. The Township's Assigned Fund Balance is fund balance reporting occurring by Township authority under the direction of the Township Business Manager.

Unassigned – Residual in classification for government's general fund and includes all spendable amounts not contained in the other classifications.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
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DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**J. Equity Classification – Governmental Fund Financial Statements - continued**

For the classification of Governmental Fund balances, the Township considers an expenditure to be made from the most restrictive first when more than one classification is available.

**K. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**L. Cash and Cash Equivalents**

The Township considers all cash accounts and highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

**M. Impact of Recently Issued Accounting Principles**

**Recently Issued and Adopted Accounting Pronouncements**

The GASB has issued the following Statements which became effective in the current year as shown below:

Statement No.72 "*Fair Value Measurement and Application*." The primary objective of this Statement is to improve accounting and financial reporting by applying fair value measurements to certain investments and liabilities using a consistent and appropriate valuation technique for which sufficient data is available. This Statement became effective for fiscal year 2016. The Statement has no impact on the Township's financial statements.

Statement No.76 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" was effective for fiscal year 2016. This Statement identifies – in the context of the current governmental financial reporting environment – the hierarchy of authoritative literature of generally accepted accounting principles. The Township has not determined the impact of this Statement on the financial statements.

Statement No.77 "*Tax Abatement Disclosures*" was effective for fiscal year 2016. The objective of this Statement is to give users of the financial statements essential information that is not consistently or comprehensively reported to the public at present. These disclosures will make tax abatements, and their economic impact, more transparent. This Statement has no impact on the Township's financial statements.

Statement No. 78 "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*." The objective of this Statement, which became effective for fiscal year 2016, is to address a practice issue regarding the scope and applicability of Statement No. 68. This Statement has no impact on the Township's financial statements.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**M. Impact of Recently Issued Accounting Principles - continued**

**Recently Issued and Adopted Accounting Pronouncements**

Statement No. 79 "*Certain External Investment Pools and Pool Participants*" was effective for fiscal year 2016. The objective is to improve financial reporting by enhancing comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurements. This Statement has no impact on the Township's financial statements.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, Township specific information about its fiduciary net position in the Pennsylvania Municipal Retirement System (PMRS) and additions to/deductions from Township's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Township's Total Pension Liability is obtained from PMRS through a report prepared for the Township by PMRS's principal consulting actuary, Cheiron, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon the Pennsylvania Pledge Act 72 (72 P.S. section 3836-1et seq.). The act requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

The table presented below is designed to disclose the level of custodial credit risk assumed by the Township based on how its deposits were insured or secured with collateral at December 31, 2016. The comparison relates to the primary government only. The categories and related deposits are defined as follows:

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**NOTE 2 – DEPOSITS AND INVESTMENTS - continued**

Categories	Deposits held in financial institutions
Category 1 – Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Township or by its agent in its name.	\$ 750,000
Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.	-
Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Township's name; or properly collateralized with no written and approved collateral agreement.	<u>2,312,560</u>
<b>TOTAL</b>	<u><b>\$ 3,062,560</b></u>

**Investments**

State laws authorize the Township to invest with the Pennsylvania Local Government Investment Trust (PLGIT), deposits in savings accounts or time deposits of institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), certificates of deposit purchased from institutions insured by the FDIC, and obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania.

The Township maintains investments with the PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share, and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. The Township treats their PLGIT as cash equivalents on the statement of net position and fund balance statements.

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

<u>Investment</u>	<u>Fair Value</u>
PLGIT Money Market Funds	<u>\$ 57,077</u>
<b>Total Investments</b>	<u><b>\$ 57,077</b></u>

**NOTE 3 – FUND BALANCE CLASSIFICATIONS**

At December 31, 2016 the unassigned fund balance for the general fund is \$2,722,005. The restricted fund balance is made up of \$5,633 for future highway related expenditures. All remaining funds are designated as assigned for expenditures related to that fund.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
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**NOTE 4 – PROPERTY TAXES**

Based upon taxable assessed valuation provided by the County (approximately \$109,546,500 in 2016), the Township bills and collects its own property taxes through an appointed tax collector. The Township's tax rate for all purposes for 2016 was 4.00 mills (\$4.00 per \$1,000 of assessed valuations). The schedule for property taxes levied for 2016 is as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

**NOTE 5 – CAPITAL ASSETS**

During 2016, the Township was able to sell the prior Township office, requiring adjustments to the related fixed assets in the amount of \$1,096,747. A summary of the changes in governmental-type activities fixed assets for the year ended December 31, 2016 is as follows:

	Balance 1/1/16	Additions	Retirements/ Adjustments	Balance 12/31/16
Governmental Activities:				
Assets not being depreciated:				
Land	\$ 130,527	\$ -	\$ -	\$ 130,527
Construction in process	18,916	-	-	18,916
Assets being depreciated:				
Buildings and improvements	7,098,267	-	978,226	6,120,041
Land improvements	1,260,750	-	-	1,260,750
Vehicles and transportation equipment	561,703	158,843	-	720,546
Office equipment	31,153	1,131	5,448	26,836
Machinery and equipment	759,864	16,850	113,073	663,641
Infrastructure	2,241,774	-	-	2,241,774
Total Capital Assets	12,102,954	176,824	1,096,747	11,183,031
Less: accumulated Depreciation	3,809,677	282,169	1,071,873	3,019,973
Governmental activities capital assets, net	<u>\$ 8,293,277</u>	<u>\$ (105,345)</u>	<u>\$ 24,874</u>	<u>\$ 8,163,058</u>

Depreciation expense of \$282,169 in the governmental activities was charged to the general government and administration area expenses because the Township chooses not break down the expenses into functional areas.

**NOTE 6 – LONG-TERM DEBT**

The Township's long-term debt activity for the year ended December 31, 2016 is summarized as follows:

	Balance 1/1/16	Issues/ Additions	Payments/ Deductions	Balance 12/31/16
<u>Governmental Type Activities</u>				
Series 2015 Bond Issue	\$ 6,210,000	\$ -	\$ 560,000	\$ 5,650,000
Total governmental	<u>\$ 6,210,000</u>	<u>\$ -</u>	<u>\$ 560,000</u>	<u>\$ 5,650,000</u>

Details of the long-term debt consist of the following:

**SMITHFIELD TOWNSHIP  
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**NOTE 6 – LONG-TERM DEBT - continued**

The Township signed a bond purchase agreement on March 24, 2015, to refinance the Series 2010 Bond Issue with the issuance of General Obligation Bonds, Series of 2015 dated April 30, 2015. The original amount of the Series 2015 Bond Issue was \$6,250,000. The Township has an agreement with Smithfield Sewer Authority for the Authority to reimburse the Township annually for both the principal and interest portions of the Authority's debt that was refinanced. The Authority's portion of the remaining \$5,650,000 Series 2015 Bond Issue is \$3,025,000 at December 31, 2016.

The following table lists the maturity repayment requirements and annual interest rates:

Year Ended	Principal	Interest	Total Payment	Annual Interest %
2017	\$ 560,000	\$ 146,623	\$ 706,623	2.000%
2018	580,000	132,323	712,323	3.000%
2019	595,000	111,723	706,723	4.000%
2020	625,000	87,323	712,323	4.000%
2021	640,000	68,423	708,423	2.000%
2022-2026	1,965,000	180,744	2,145,744	2.000%-2.450%
2027-2029	685,000	29,943	714,943	2.900%
Totals	<u>\$ 5,650,000</u>	<u>\$ 757,099</u>	<u>\$ 6,407,099</u>	

**NOTE 7 – DUE FROM SMITHFIELD SEWER AUTHORITY**

The Township has an agreement with Smithfield Sewer Authority which requires the Authority to fund the portion of the Township's 2015 bond issuance obligations related to the portion of debt that satisfied the Authority's prior bond issuance. The Township's Supervisors agreed in 2004 to issue bonds, with the majority of the proceeds paying the prior obligations of the Authority. When the Township refinanced the 2004 bond the Authority's portion of the bond obligation increased accordingly. The following is a summary of the obligation due to the Township:

	Balance 1/1/16	Additions	Payments/ Reductions	Balance 12/31/16
Due from Authority	<u>\$ 3,415,000</u>	<u>\$ -</u>	<u>\$ 390,000</u>	<u>\$ 3,025,000</u>

The Authority also transferred \$82,430 to the Township to cover bond interest requirements for 2016.

**NOTE 8 – AMORTIZATION OF BOND DISCOUNTS AND PREMIUMS**

The Township incurred amortizable discounts and premiums in 2015, related to the issuance of its bonds, which were amortized over the term of the bonds. Resulting from the Bond refinance on March 2, 2010 were new amortizable discounts and premiums.

The following summarizes the amortization of the above discounts and premiums for the year ended December 31, 2016:

	Original Amount	Accumulated Amortization 1/1/16	Amortization Expense 2016	Accumulated Amortization 12/31/16
Original issue discount	\$ 21,816	\$ (740)	\$ (740)	\$ (1,480)
Original issue premium	(42,259)	1,435	1,435	2,870
Totals	<u>\$ (20,443)</u>	<u>\$ 695</u>	<u>\$ 695</u>	<u>\$ 1,390</u>

**SMITHFIELD TOWNSHIP  
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**NOTE 10 – CAPITAL LEASE**

On October 28, 2016, the Township entered into a capital lease with PACCAR for the purchase of a 2017 Model 348 Peterbilt dump truck. The lease purchase amount is \$154,706, and the payments required are 5 annual payments of \$33,680.55 including interest at a nominal annual rate of 4.431%.

The following is a summary of the Township's capital lease transactions:

	Balance 01/01/16	Additions	Principal Reductions	Balance 12/31/16
Capital Lease - Truck	\$ 154,706	\$ -	\$ 33,681	\$ 121,025
Totals	\$ 154,706	\$ -	\$ 33,681	\$ 121,025

The following table lists the maturity repayment requirements and annual interest rates:

Year Ended	Principal	Interest	Total Payment
2017	\$ 28,318	\$ 5,363	\$ 33,681
2018	29,573	4,108	33,681
2019	30,883	2,798	33,681
2020	32,251	1,430	33,681
Totals	\$ 121,025	\$ 13,699	\$ 134,724

**NOTE 11 – NON-UNIFORM PENSION**

The Township has not yet received the GASB 68 report for the current year. The pension information presented here is for the year ended December 31, 2015.

Plan Description

General: The Smithfield Township pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 213, dated 11/12/13. 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 December 31, 2015:

Active employees	8
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Total	8

Benefit Provisions: The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

**SMITHFIELD TOWNSHIP  
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**NOTE 11 – NON-UNIFORM PENSION - Continued**

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 when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with 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 required by Statement No. 3 of the Governmental Accounting Standards Board of aggregate PMRS investments are included in PMRS's 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.

In accordance with the Plan's governing Ordinance or Resolution as applicable, members are not required to contribute to the plan, but may elect to contribute up to 20% of compensation

The Township is required to contribute \$375 per member per quarter, and this amount doubled to \$750 per member per quarter in 2015.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

Annual Pension Cost

For 2015, the Township's annual pension cost of \$35,843 is equal to the Township's required and actual contributions. The required contribution was determined by using the entry age actuarial cost method. The assumptions included a 6.0% investment rate of return (net of administrative expenses), inflation rate of 3.0% and projected salary increases based on an age-related scale for merit/seniority.

Actuarial Assumptions and Methods

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**SMITHFIELD TOWNSHIP  
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**NOTE 11 – NON-UNIFORM PENSION - Continued**

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Uniform Pension</u>
Actuarial Cost Method	Entry Age Normal
Amortization Period	Level Dollar Based Upon the Amortization Periods in Act 205
Asset Valuation Method	Based Upon the Municipal Reserves
Discount Rate	5.50%
Inflation	3.0%
Salary Increases	Age Related Scale With Merit and Inflation Component
COLA Increases	3.0% for Those Eligible for COLA
Pre-Retirement Mortality	Males – RP 2000 with 1 Year Set Back, Females – RP 2000 with 5 Year Set Back
Post-Retirement Mortality	Sex Distinct RP-2000 Combined Healthy Mortality

For a complete listing of all assumptions and methods, please refer to the 2015 PMRS Assumptions and Methods for GASB.

Long-Term Expected Rate of Return on Plan Assets

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. There are four steps to the method:

- 1) Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
- 2) The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
- 3) The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled "System Nominal and Real Rates of Return by Asset Class."

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**NOTE 11 – NON-UNIFORM PENSION – Continued**

Long-Term Expected Rate of Return on Plan Assets – continued

4) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The chart below labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels.

System Nominal and Real Rates of Return by Asset Class

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	11.7%	8.7%
Domestic Equities (small capitalized firms)	15%	11.4%	8.4%
International Equities (international developed markets)	15%	7.6%	4.6%
International Equities (emerging markets)	10%	11.1%	8.1%
Real Estate	20%	9.7%	6.7%
Fixed Income	15%	2.0%	-1.0%
Total Portfolio	100%	9.2%	6.2%

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	4.7%	1.7%
90%	5.7%	2.7%
85%	6.4%	3.4%
80%	6.9%	3.9%
75%	7.4%	4.4%
70%	7.8%	4.8%
50%	9.2%	6.2%

Based on the four part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.5%.

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. The rationale for the difference between the System's long-term expected rate of return and the individual participating municipalities' regular interest rate is described section below labeled "Discount Rate." As of December 31, 2014, this rate is equal to 5.5%.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 11 – NON-UNIFORM PENSION – Continued**

The System's policy in regards to the investment income allocation on invested assets is established and may be amended by the PMRS Board. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of PMRS.

**Discount Rate**

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1) Retiree Plan liability as a percentage of total Plan liability
- 2) Active Plan participant liability as a percentage of total Plan liability
- 3) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates
- 4) PMRS System Long-Term Expected Rate of Return
- 5) PMRS administrative expense

The formula using these factors is as follows:

$$\begin{aligned} \text{Regular Interest Rate} &= (\text{Retiree Liability Percentage} \times \text{Smoothed PBGC Annuity Rates}) \\ &+ (\text{Active Employee Liability Percentage} \times \text{System Long-Term Expected Rate of Return}) \\ &- (\text{Administrative Expenses as a percentage of assets}) \end{aligned}$$

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability as of December 31, 2014 was 5.5%.

This required equivalence between the Regular Interest Rate and the actuarial Discount Rate will likely result in a System Long-Term Expected Rate of Return that will be higher than the actuarial Discount Rate and higher than the Long-Term Expected Rate of Return for individual participating municipalities. Should the System experience a prolonged period of investment return in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 12 – PENSION LIABILITY**

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

The Pennsylvania Municipal Retirement System (PMRS) is an agent multiple-employer defined benefit pension plan. The Measurement Date for the Net Pension Liability (NPL) is December 31, 2014, which is no earlier than the end of the employer's prior fiscal year as allowed by Paragraph 20 of GASB 68. The table below provides a summary of the key results during this measurement period.

	<u>12/31/2014</u>	<u>12/31/2013</u>
Net Pension Liability	\$ 5,178	\$-
Deferred Inflows	-	-
Deferred Outflows	<u>(4,194)</u>	<u>-</u>
Net Impact on Statement of Net Position	\$ 984	\$-
 Total Pension Expense (\$ Amount)	 \$ 11,873	 N/A
Total Pension Expense (% of Payroll)	3.95%	N/A

With an initial Measurement Date of December 31, 2014 under GASB 68, any contributions between the Measurement Date and the Reporting Date would be reported as deferred outflows to offset the cash outflow reported. The final Total Pension Liability (TPL) for the Employer is measured as of December 31, 2014 based upon the actuarial valuation of the same date. The beginning of year TPL as of December 31, 2013 is based upon the actuarial valuation of the same date.

A breakdown of the components of the net pension expense is shown later in the report.

Determination of Discount Rate

The discount rate used to measure the Total Pension Liability was 5.50%.

It is assumed that the employees will continue to contribute to the Plan at the current rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an a Statutorily Required Contribution (based upon the terms of the cash balance pension plan).

A formal cash flow projection as described under Paragraph 41 of GASB Statement 67 was not performed. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations "can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan..." In our professional judgment, adherence to the Statutorily Required Contribution will result in the pension plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 12 – PENSION LIABILITY-continued**

Changes in Net Pension Liability

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Plan assets), and the Net Pension Liability as of the Measurement Date.

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 12/31/2013	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	22,728	-	22,728
Interest	5,694	-	5,694
Changes of benefits	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions – employer	-	10,889	(10,889)
Contributions – member	-	11,979	(11,979)
PMRS investment income	-	5,988	(5,988)
Market value investment income*	-	(5,242)	5,242
Transfers	356,082	356,082	-
Benefit payments	-	-	-
PMRS administrative expense	-	(140)	140
Additional administrative expense	-	(230)	230
+ Net changes	384,504	379,326	5,178
Balances at 12/31/2014	\$ 384,504	\$ 379,326	\$ 5,178

\*Reflects the net investment income/(loss) of (\$365) and the income(loss) due to the difference between expected and actual asset value of (\$4,877), which includes the impact from allocation of assets in support of the underlying retiree liabilities.

This report does not reflect changes in benefits or assumptions after January 1, 2015 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, 2014 actuarial valuation, with liabilities measured at December 31, 2013. 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, 2014 was based upon the data, actuarial methods and assumptions, and plan provisions.

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.

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 12 – PENSION LIABILITY-continued**

Sensitivity of Net Pension Liability to Changes in Discount Rate

Changes in the discount rate affect the measurement of the TPL. Lower discount rates to 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 NPL can be very significant for a relatively small change in the discount rate. For illustrative purposes, the table below shows the sensitivities as 80% and 120% of the TPL associated with active participants as a reflection of the nature of potential variance that could occur with a +1.0% and -1.0% change in the discount rate, respectively. As a cash balance plan, however, we have not performed the sensitivity calculations based on this plan's demographics or plan provisions for active participants given that the benefits are based on the accumulated account balances at actual retirement. If the plan has retired participants, the discount rate sensitivity for the TPL associated with the retired participants has been explicitly determined.

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Total Pension Liability	\$ 461,404	\$ 384,504	\$ 307,603
Plan Fiduciary Net Position	379,326	379,326	379,326
Net Pension Liability	<u>\$ 82,078</u>	<u>\$ 5,178</u>	<u>\$ (71,723)</u>

Plan Fiduciary Net Position as  
a Percentage of the

Total Pension Liability	82.2%	98.7%	123.3%
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Deferred Outflows and Deferred Inflows of Resources

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. However, there were no assumption changes as of the Measurement Date.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,194	-
Total	<u>\$ 4,194</u>	<u>\$ -</u>

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 12 – PENSION LIABILITY-continued**

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

Year Ended December 31:	
2015	\$ 1,048
2016	1,048
2017	1,048
2018	1,050
2019	-
Thereafter	-
Total	<u>\$ 4,194</u>

The recognition period for experience and assumptions change gains/losses is 8.00 years.

Calculation of Collective Pension Expense

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

Change in Net Pension Liability	\$ 5,178
Change in Deferred Outflows	(4,194)
Change in Deferred Inflows	-
Employer Contributions	10,889
Pension Expense	<u>\$ 11,873</u>
Pension Expense as % of Payroll	3.95%
Operating Expenses:	
Service cost	\$ 22,728
Employee contributions	(11,979)
PMRS administrative expense	140
Additional Administrative expense	230
Total	<u>\$ 11,119</u>
Financing Expenses:	
Interest cost	\$ 5,694
Expected return on assets	(5,988)
Total	<u>\$ (294)</u>
Changes:	
Benefit changes	\$-
Recognition of assumption changes	-
Recognition of liability gains and losses	-
Recognition of investment gains and losses	\$ 1,048
Total	<u>\$ 1,048</u>
Pension Expense	<u>\$ 11,873</u>

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 13 – INTERFUND TRANSFERS**

The Township transfers funds between funds periodically to allocate revenues and to cover expenditures. Interfund transfers are approved at public meetings of the Supervisors. Interfund transfers during the year ended December 31, 2016, were as follows:

<u>Funds Transferred Out</u> <u>Of:</u>		<u>Funds Transferred Into:</u> Park & Recreation Fund		Totals
General Fund	\$ (25,000)	\$ 25,000	\$	-
Totals	<u>\$ (25,000)</u>	<u>\$ 25,000</u>	<u>\$</u>	<u>-</u>

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Township's management has evaluated events and transactions subsequent to December 31, 2016 through June 22, 2017, the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Events Topics of the FASB Accounting Standards Codification, the Township's management is not aware of subsequent events that would require recognition or disclosure in the financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget	Final Budget
			Basis	Positive
				(Negative)
<b>Revenues</b>				
Taxes	\$ 1,320,750	\$ 1,320,750	\$ 1,544,272	\$ 223,522
Licenses, permits and fees	135,000	135,000	159,524	24,524
Fines, forfeitures and penalties	2,700	2,700	2,057	(643)
Interest	4,000	4,000	8,927	4,927
Rental income	31,500	31,500	31,631	131
Intergovernmental	98,700	98,700	79,112	(19,588)
Charges for services	156,100	156,100	190,589	34,489
Miscellaneous	300	300	32,905	32,605
<b>Total revenues</b>	<b>1,749,050</b>	<b>1,749,050</b>	<b>2,049,017</b>	<b>299,967</b>
<b>Other financing sources</b>				
Refunds of prior year's expenditures	-	-	504	504
Transfers from Authority for debt	472,500	472,500	472,430	(70)
<b>Total revenues and other financing sources</b>	<b>2,221,550</b>	<b>2,221,550</b>	<b>2,521,951</b>	<b>300,401</b>
<b>Expenditures</b>				
General government	327,050	327,050	393,221	(66,171)
Public safety and protective inspection	303,038	303,038	290,700	12,338
Public works - other	72,000	72,000	76,103	(4,103)
Highways and streets	425,600	425,600	326,191	99,409
Water system	1,000	1,000	782	218
Parks and recreation	5,250	5,250	12,516	(7,266)
Conservation of natural resources	5,050	5,050	5,365	(315)
Debt service - principal	560,000	560,000	593,681	(33,681)
Debt service - interest	153,350	153,350	153,343	7
Payroll taxes	51,500	51,500	35,798	15,702
Pension	26,000	26,000	23,343	2,657
Insurance	149,600	149,600	51,872	97,728
Employee benefits	162,000	162,000	257,138	(95,138)
Miscellaneous	500	500	-	500
<b>Total expenditures</b>	<b>2,241,938</b>	<b>2,241,938</b>	<b>2,220,053</b>	<b>21,885</b>
<b>Other financing uses</b>				
Interfund operating transfers out	30,000	30,000	25,000	5,000
Refund of prior year's revenues	2,500	2,500	-	2,500
<b>Total other financing uses</b>	<b>32,500</b>	<b>32,500</b>	<b>25,000</b>	<b>7,500</b>
<b>Total expenditures and other financing uses</b>	<b>2,274,438</b>	<b>2,274,438</b>	<b>2,245,053</b>	<b>29,385</b>
<b>Excess of revenues over expenditures</b>	<b>(52,888)</b>	<b>(52,888)</b>	<b>276,898</b>	<b>\$ 329,786</b>
<b>Fund balance at beginning of year (forwarded)</b>	<b>1,682,917</b>	<b>1,682,917</b>	<b>2,030,688</b>	
<b>Fund balance at end of year</b>	<b>\$ 1,630,029</b>	<b>\$ 1,630,029</b>	<b>\$ 2,307,586</b>	

See accompanying notes to basic financial statements.

**SMITHFIELD TOWNSHIP  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
NON-UNIFORM PENSION PLAN  
DECEMBER 31, 2016**

	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>									
Service cost (beginning of year)	\$ 22,728	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest (includes interest on service cost)	5,694	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	356,082	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transfers	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Total Pension Liability</b>	<b>384,504</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Pension Liability - Beginning</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 384,504</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 10,889	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - member	11,979	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PMRS investment income	5,988	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market value investment income	(5,242)								
Transfers	356,082								
Benefit payments, including refunds of member contributions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PMRS administrative expense	(140)								
Additional administrative expense	(230)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Plan Fiduciary Net Position</b>	<b>379,326</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>379,326</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 5,178</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Covered Employee Payroll</b>	<b>\$ 300,786</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Plan's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>1.72%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

**Notes to Schedule:**

Plan Changes: please refer to the Plan's Act 205 filing

Assumption Changes: None

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
NON-UNIFORM PENSION PLAN  
DECEMBER 31, 2016**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially Determined Contribution	\$ 10,889	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contribution*	10,889	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency/(Excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-Employee Payroll	\$ 300,786	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered- Employee Payroll	3.62%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*The Statutorily Required Contribution and the Actual Contribution were provided by PMRS. Deviation between these amounts may be due to contributions to or transfers from the Municipal account.

Notes to Schedule

Other Information: Plan Changes - None

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016**

**NOTE A – BUDGETARY COMPLIANCE**

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

Prior to December 31<sup>st</sup>, the budget is legally enacted by the Township and the tax levy ordinance is adopted.

The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. All transfers of appropriations between departments and supplemental appropriations require Township Board approval.

For the year ended December 31, 2016, expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
General government	\$66,171
Public works - other	\$ 4,103
Parks and recreation	\$ 7,266
Conservation of natural resources	\$ 315
Debt service - principal	\$33,681
Employee benefits	\$95,138

## **SUPPLEMENTARY INFORMATION**

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
COMBINING BALANCE SHEETS - OTHER GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	Park & Rec. Fund	Community Garden Fund	PLGIT Bond Proceeds Fund	Fairshare Road Improvement Fund	Fees in Lieu of Open Space Fund	Capital Projects Fund	Rivers Edge Bike Park Fund	Total Other Governmental Funds
<b>ASSETS</b>								
Cash	\$ 12,874	\$ 3,929	\$ 784	\$ 10,328	\$ 6,178	\$ 244	\$ 1	\$ 34,338
Due from other funds	1,500	-	-	-	-	-	-	1,500
<b>TOTAL ASSETS</b>	<u>\$ 14,374</u>	<u>\$ 3,929</u>	<u>\$ 784</u>	<u>\$ 10,328</u>	<u>\$ 6,178</u>	<u>\$ 244</u>	<u>\$ 1</u>	<u>\$ 35,838</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512
Due to other funds	-	-	-	-	-	-	548	548
<b>TOTAL LIABILITIES</b>	<u>512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548</u>	<u>1,060</u>
<b>FUND BALANCES</b>								
Assigned	13,862	3,929	784	10,328	6,178	244	(547)	34,778
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 14,374</u>	<u>\$ 3,929</u>	<u>\$ 784</u>	<u>\$ 10,328</u>	<u>\$ 6,178</u>	<u>\$ 244</u>	<u>\$ 1</u>	<u>\$ 35,838</u>

**SMITHFIELD TOWNSHIP  
MONROE COUNTY, PENNSYLVANIA  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016**

	Park & Rec. Fund	Community Garden Fund	PLGIT Bond Proceeds Fund	Fairshare Road Improvement Fund	Fees in Lieu of Open Space Fund	Capital Projects Fund	Rivers Edge Bike Park Fund	Total Other Governmental Funds
Revenues								
Interest income	\$ 42	\$ -	\$ 4	\$ 29	\$ 13	\$ 1	\$ -	\$ 89
Donations	4,204	-	-	-	4,149	-	3,772	12,125
Total revenues	4,246	-	4	29	4,162	1	3,772	12,214
Other Financing sources								
Interfund operating transfers in	25,000	-	-	-	-	-	-	25,000
Total other financing sources	25,000	-	-	-	-	-	-	25,000
Total Revenues and Other Financing Sources	29,246	-	4	29	4,162	1	3,772	37,214
Expenditures								
Parks and recreation	27,352	-	-	-	-	-	-	27,352
Construction costs	-	416	-	-	-	-	3,772	4,188
Total expenditures	27,352	416	-	-	-	-	3,772	31,540
Other Financing uses								
Interfund operating transfers out	-	-	-	-	-	-	-	-
Total other financing uses	-	-	-	-	-	-	-	-
Total Expenditures and Other Financing Uses	27,352	416	-	-	-	-	3,772	31,540
Net change in fund balances	1,894	(416)	4	29	4,162	1	-	5,674
Fund balances at beginning of year	11,968	4,345	780	10,299	2,016	243	(547)	29,104
Fund balances at end of year	<u>\$ 13,862</u>	<u>\$ 3,929</u>	<u>\$ 784</u>	<u>\$ 10,328</u>	<u>\$ 6,178</u>	<u>\$ 244</u>	<u>\$ (547)</u>	<u>\$ 34,778</u>