



**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017

TOWNSHIP OF HAVERFORD

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INDEPENDENT AUDITOR'S REPORT

June 15, 2018

Board of Commissioners
Township of Haverford
Havertown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Haverford ("the Township"), Havertown, Pennsylvania, as of and for the year ended December 31, 2017, 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 did not audit the financial statements of the Haverford Township Free Library, a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haverford Township Free Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. The financial statements of the Haverford Township Free Library were not audited in accordance with *Government Auditing Standards*.

Board of Commissioners
Township of Haverford

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Haverford, Havertown, Pennsylvania, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11; the budgetary comparison information on page 61; the schedules of changes in the Township's net pension liability, related ratios, and investment returns – police and non-uniformed pension plans; the schedules of employer contributions – police and non-uniformed pension plans; the notes to the schedules of employer contributions – police and non-uniformed pension plans; and the schedule of funding progress – other post-employment healthcare benefits – police and non-uniformed plans on pages 62 - 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining non-major governmental fund financial statements and combining fiduciary fund financial statements on pages 67 - 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental fund financial statements and combining fiduciary 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 non-major governmental fund financial statements and combining fiduciary fund 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, 2018, on our consideration of the 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 the Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2017**

The Board of Commissioners and Township Manager of the Township of Haverford (“the Township”) are pleased to present to readers of the financial statements of the Township of Haverford this narrative overview and analysis of the financial activities for the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

Government-wide

Government-wide net position of the Township at the close of the year was \$19,707,008. The total change in net position was \$1,771,623. This change was a result of an \$878,113 operational increase in our business-type activities and an \$893,510 increase recognized by our governmental activities. This increase in the governmental activities is a result of a very good operational year in which revenues over-performed budget, especially in the Act 511 tax, licensing and permit, and intergovernmental revenues. Expenditures were largely on target but finished the year nearly \$203,000 under budget. The increase in business-type activities was largely from underspending the budget by over \$773,000.

Fund Level

At the close of the fiscal year, the Township reported combined ending fund balances in Governmental Funds of \$24,275,939, a decrease of \$11,520,364 from the previous year. The decrease was largely a result of using capital projects monies for the completion of our combined municipal services building. The total General Fund balance amounted to \$18,489,575, an increase of \$708,461 and 42.6 percent of General Fund revenues. An amount of \$9,450,083 is reported as unassigned in the General Fund, or 21.8 percent of total General Fund revenues. A total of \$1,252,783 is reported as restricted in the General Fund due to various external requirements. An amount of \$111,659 is shown as non-spendable since the balance represents prepaid expenses. A total of \$132,544 is shown as assigned by management for maintenance of our artificial turf field. An amount of \$7,542,506 is reported as committed - budgetary reserve in accordance with the financial policies resolution passed by the Board of Commissioners to maintain financial stability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Township’s basic financial statements. The Township’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township’s finances in a manner similar to a private-sector business.

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

The Statement of Net Position (page 12) presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental Activities – Most of the Township's basic services are reported in this category. Taxes and charges for services generally support these services. Services provided include general administration, public safety, public works, health and human services, culture and recreation, and community development.

Business-type Activities – The Township charges fees to customers to help it cover all or most of the cost of certain services it provides. The Township provides sanitary sewer services to property owners within the Township.

Component Unit – The Township includes one separate legal entity in this report: The Haverford Township Free Library. Although legally separate, this component unit is important because the Township is financially responsible for it. Additional financial information regarding the Township's component unit can be found in the statement of net position and statement of activities of this report. A separately audited annual financial report of this component unit may be obtained from the Library.

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the major individual funds. A fund has a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for nonmajor funds begin on page 67. All of the funds of the Township can be divided into three categories: governmental, proprietary, and fiduciary.

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

Governmental Funds – Most of the Township's basic services are reported in the 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 future spending. The Governmental Fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations are provided (pages 15 and 17) to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position, and between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short term. Governmental Funds include the Special Revenue Funds.

Proprietary Funds – When the Township charges for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds (Enterprise Funds) utilize accrual accounting; the same method used by private sector businesses. Enterprise Funds report activities that provide supplies and services to the general public, in our case, sanitary sewer.

Fiduciary Funds – The Township acts as a fiduciary to account for resources held for the benefit of parties outside the government. The Township has an Agency Fund to support the operating costs of the Township's local cable channel that supports Township-related services and another Agency Fund that supports the operating costs for Merry Place Park. Additionally, the Township has three Pension Trust Funds – two for the civilian employees and one for the uniformed employees. These funds are reported using accrual accounting. The government-wide statements exclude Fiduciary Fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Township to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Other Information

Other information includes combining financial statements for nonmajor Governmental Funds. The funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Funds financial statements.

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Township's largest component of its net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding, which was \$27,676,002 at the end of the year. As the Township utilizes those assets to provide services to its citizens, they are not available for future spending.

The component of our net position that pertains to the governmental activities has increased from a year ago by \$893,510. This increase is primarily a result of an operational gain, coupled with the use of a large portion of our available capital funds for the construction and acquisition of capital assets, plus debt repayment and an increase in other post-employment benefit liabilities. Additionally, the component of our net position that pertains to our business-type activities increased by \$878,113. This increase was a result of lower than expected sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (thru Upper Darby, nearly \$519,000) coupled with lower sewer construction costs (\$231,000).

TABLE 1 - NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$29,415,140	\$40,189,383	\$ 8,732,346	\$ 7,713,229	\$38,147,486	\$47,902,612
Capital assets	72,928,853	59,425,067	5,078,890	5,166,650	78,007,743	64,591,717
Total Assets	<u>102,343,993</u>	<u>99,614,450</u>	<u>13,811,236</u>	<u>12,879,879</u>	<u>116,155,229</u>	<u>112,494,329</u>
Deferred outflows	<u>2,189,944</u>	<u>5,335,368</u>	<u>43,525</u>	<u>142,198</u>	<u>2,233,469</u>	<u>5,477,566</u>
Noncurrent liabilities	90,623,811	93,593,623	526,869	671,962	91,150,680	94,265,585
Other liabilities	6,122,645	5,068,584	227,372	165,813	6,350,017	5,234,397
Total Liabilities	<u>96,746,456</u>	<u>98,662,207</u>	<u>754,241</u>	<u>837,775</u>	<u>97,500,697</u>	<u>99,499,982</u>
Deferred inflows	<u>1,130,109</u>	<u>523,749</u>	<u>50,884</u>	<u>12,779</u>	<u>1,180,993</u>	<u>536,528</u>
Net investment in						
capital assets	22,597,112	10,410,716	5,078,890	5,166,650	27,676,002	15,577,366
Restricted	7,039,147	15,870,692	-	-	7,039,147	15,870,692
Unrestricted (deficit)	(22,978,887)	(20,517,546)	7,970,746	7,004,873	(15,008,141)	(13,512,673)
Total Net Position	<u>\$ 6,657,372</u>	<u>\$ 5,763,862</u>	<u>\$13,049,636</u>	<u>\$12,171,523</u>	<u>\$19,707,008</u>	<u>\$17,935,385</u>

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

Table 2 highlights the Township's revenues and expenses for the fiscal year ended December 31, 2017. These two main components are subtracted to yield the change in net position. This table utilizes the full-accrual method of accounting.

TABLE 2 - CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 8,005,441	\$ 7,923,822	\$ 4,984,555	\$ 5,033,606	\$ 12,989,996	\$ 12,957,428
Operating grants and contributions	5,156,755	4,249,407	-	-	5,156,755	4,249,407
Capital grants and contributions	500,000	-	-	-	500,000	-
General revenues:						
Property taxes	24,643,126	23,849,316	-	-	24,643,126	23,849,316
Act 511 taxes	4,718,746	4,100,899	-	-	4,718,746	4,100,899
Franchise fees	1,159,833	1,160,850	-	-	1,159,833	1,160,850
Interest and rents	835,850	817,417	62,977	23,235	898,827	840,652
Other revenues	1,175,689	1,629,378	-	-	1,175,689	1,629,378
Total Revenues	46,195,440	43,731,089	5,047,532	5,056,841	51,242,972	48,787,930
Expenses						
General government	3,524,632	2,901,376	-	-	3,524,632	2,901,376
Public safety	20,079,474	19,603,828	-	-	20,079,474	19,603,828
Public works - sanitation	5,020,039	5,055,144	-	-	5,020,039	5,055,144
Public works - highways and streets	7,885,290	7,770,218	-	-	7,885,290	7,770,218
Culture and recreation	6,284,064	6,213,377	-	-	6,284,064	6,213,377
Community development	1,284,234	1,215,672	-	-	1,284,234	1,215,672
Interest on long-term debt	1,824,197	1,738,984	-	-	1,824,197	1,738,984
Sewer	-	-	3,569,419	3,368,962	3,569,419	3,368,962
Total Expenses	45,901,930	44,498,599	3,569,419	3,368,962	49,471,349	47,867,561
Changes in Net Position						
before Transfers	293,510	(767,510)	1,478,113	1,687,879	1,771,623	920,369
Transfers	600,000	600,000	(600,000)	(600,000)	-	-
Changes in Net Position	893,510	(167,510)	878,113	1,087,879	1,771,623	920,369
Net Position, Beginning	5,763,862	5,931,372	12,171,523	11,083,644	17,935,385	17,015,016
Net Position, Ending	\$ 6,657,372	\$ 5,763,862	\$ 13,049,636	\$ 12,171,523	\$ 19,707,008	\$ 17,935,385

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the fiscal year, its Governmental Funds reported healthy fund balances of \$24,275,939 (or a decrease of \$11,520,364 due to the large scale construction of a new municipal services building). Of the current ending fund balances, \$111,659 is shown as nonspendable since it represents prepaid items, \$132,544 is reported as assigned for particular purposes, \$7,542,506 is reported as committed for budgetary reserve in the General Fund, \$7,039,147 is shown as restricted by external sources while \$9,450,083 is shown as unassigned.

Governmental Funds

General Fund, Comparison to Final Budget – Revenue exceeded our final budget by \$2,431,884, or six percent. The excess revenues were largely a result of larger than anticipated Act 511 tax revenues (approximately \$1,169,000), licensing and permit fees (approximately \$314,000), and intergovernmental revenues, in particular, state pension aid monies (approximately \$159,000). Act 511 revenues spiked due to robust property sales demonstrating the popularity of our community which keeps real estate inventory relatively low and sales fast paced. License and permit revenues exceeded expectations due to a several large construction and retrofit projects at a few high profile commercial sites, but mostly, a result of our residents investing in their own homes with improvements and expansions allowing them to stay in our community as their lives evolve. On the expenditure side, we had lower than expected snow removal costs in 2017 (approximately \$135,000). Due to timing of projects, the Township deferred a planned borrowing from 2017 to 2018 which resulted in lower than expected interest costs (approximately \$109,000). We also experienced reduced employee and retiree health costs (approximately \$517,000). Since the Township funds prescription, dental, and vision on a self-insured (with stop-loss coverage) basis, this area can be difficult to budget. However, expenditure savings were offset by higher than expected costs in street lighting due to Phase 2 of the Township-wide LED retrofit project (approximately \$147,800). The Township is in the midst of retrofitting all of its street lights to an LED bulb and head. This initiative (completed Phases 1 and 2) will save 20,000 kWh of energy per year. For the year, we are pleased to report that total expenditures were less than our final budget by \$370,971, or 0.9 percent.

Nonmajor Governmental Funds – The activities in the nonmajor governmental activities are primarily funded by federal grants for specific federally approved projects. Any increase in expenditures is offset by related increase in funding. These grants are cost-reimbursement basis grants.

Proprietary Fund

Sewer Fund – This fund experienced an increase in its net position by \$878,113. This increase was a result of lower than expected sewage treatment and pass-through costs from Radnor-Haverford-Marple Sewer Authority and the City of Philadelphia (through Upper Darby, nearly \$519,000), coupled with lower sewer construction emergency project needed in 2017 (\$231,000).

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017, the Township had invested \$78,007,743, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation expense for this calendar year totaled \$3,215,632.

TABLE 3 - CAPITAL ASSETS

Programs	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 13,585,354	\$ 13,732,751	\$ -	\$ -	\$ 13,585,354	\$ 13,732,751
Construction-in-progress	998,579	4,786,742	-	-	998,579	4,786,742
Buildings and improvements	32,215,811	16,526,461	811,067	811,067	33,026,878	17,337,528
Machinery and equipment	24,382,650	21,042,128	702,110	668,702	25,084,760	21,710,830
Infrastructure and improvements	36,512,899	36,150,393	5,324,008	5,324,008	41,836,907	41,474,401
Accumulated depreciation	(34,766,440)	(32,813,408)	(1,758,295)	(1,637,127)	(36,524,735)	(34,450,535)
TOTAL	\$ 72,928,853	\$ 59,425,067	\$ 5,078,890	\$ 5,166,650	\$ 78,007,743	\$ 64,591,717

Additional information on the Township's capital assets is contained in Note 5 to the financial statements. Major capital assets acquisitions during 2017 include the completion of our combined municipal services building, which was fully occupied in December 2017, improvements to our traffic systems, acquisition of police in car/body cam recording systems, large pieces of heavy equipment, purchase of two (2) new ambulances, purchase of three (3) new pieces of fire apparatus for our volunteer fire companies, various park improvements, continuation of the Darby Road Streetscape project which includes stormwater and crosswalk improvements, trail system enhancements, and design and architectural costs related to the renovation of the Haverford Township Free Library.

Long-term Debt

At the end of the current fiscal year, the Township had total bonded debt outstanding of \$49,870,000. All of this is backed by the full faith and credit of the government. Governmental activities report \$49,870,000 and business-type activities report \$0 of general obligation bonds and notes payable. The Township is empowered by state law to issue debt obligations within the limits of authority passed from time to time by the state legislature. Additional information on the Township's long-term debt can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township is extremely proud of the high level of services provided to the residents and property owners of our community. Acknowledging the realistic and ever-rising costs to maintain the level and quantity of services provided to our community, the Board of Commissioners approved a nominal

**TOWNSHIP OF HAVERFORD
HAVERTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2017**

increase of 2.4 percent in 2018 real estate taxes. Through prudent financial planning and efficient operations, both the trash fee (\$197.00/year) and the sewer rent (\$4.70/1,000g of water used) remained unchanged for 2018.

As stated above, the Township completed the large undertaking of constructing a combined municipal services building. This environmentally conscious construction project completes not only the goal of providing modern facilities for providing services to our citizenry, but also of combining virtually all our administrative and public safety services under one roof. The Township will continue with its last planned construction-type project, being construction at the Haverford Township Free Library (estimate of \$7,800,000). The funding for all of our projects was well planned and done in a series of small borrowings to take advantage of bank-qualified interest rates. While the library project is behind our original timetable due largely to the exploration of a different site, the Township remains committed to completing this final piece of our building infrastructure plan that will benefit not only this generation but also those to follow. The final piece of the borrowing (primarily for the library project) is planned to occur in mid-2018 along with a planned current refunding of our 2010 and 2013 general obligation issues.

In early 2018, the Township began Phase 3 of the LED street light retrofit program. This investment of over \$1,000,000 will change over 1,600 street lights throughout our Township with an annual environment impact savings of over 40,000 kWh of energy, over 195,000 grams of sulfur dioxide, over 300 metric tons of carbon dioxide, and over 2.8 million grams of nitrogen oxides.

The Township will also invest approximately \$550,000 in stormwater improvements within the Chatham Glen watershed. This area consistently experiences heavy flooding which has resulted in damage to both private and public properties. This financial investment will mitigate the flooding in the area and enhance the quality of life for residents in that area.

Governments, on every level, must continue to be mindful of the effect of increased taxes on the American people (whether it be income taxes, property taxes, etc.). Our Township Manager, along with the Board of Commissioners, constantly evaluates the services performed by our workforce and strives to find ways to do things better and more efficiently at lower costs. Those efforts will continue each and every year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township of Haverford's finances to the citizens of the Township of Haverford and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Lawrence J. Gentile, Township Manager, Township of Haverford, 1014 Darby Road, Havertown, PA 19083.

**TOWNSHIP OF HAVERFORD
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-type Activities	Total	Component Unit Haverford Township Free Library
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents				
Unrestricted	\$ 24,504,023	\$ 8,463,842	\$ 32,967,865	\$ 930,821
Restricted	1,252,783	-	1,252,783	-
Accounts receivable	2,210,997	204,432	2,415,429	17,961
Taxes receivable	574,681	-	574,681	-
Internal balances	(64,072)	64,072	-	-
Due from other governments	78,747	-	78,747	-
Prepaid expenses	111,659	-	111,659	2,166
Total Current Assets	<u>28,668,818</u>	<u>8,732,346</u>	<u>37,401,164</u>	<u>950,948</u>
Noncurrent Assets:				
Due from other governments	746,322	-	746,322	-
Capital assets				
Land	13,585,354	-	13,585,354	-
Construction-in-progress	998,579	-	998,579	-
Capital assets, net	58,344,920	5,078,890	63,423,810	621,055
Total Noncurrent Assets	<u>73,675,175</u>	<u>5,078,890</u>	<u>78,754,065</u>	<u>621,055</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	28,287	-	28,287	-
Deferred outflows of resources - pensions	2,161,657	43,525	2,205,182	-
Total Deferred Outflows of Resources	<u>2,189,944</u>	<u>43,525</u>	<u>2,233,469</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$104,533,937</u>	<u>\$ 13,854,761</u>	<u>\$118,388,698</u>	<u>\$ 1,572,003</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 3,462,400	\$ 227,372	\$ 3,689,772	\$ 54,773
Accrued interest	230,802	-	230,802	-
Escrow deposits payable	224,784	-	224,784	-
Unearned revenues	154,371	-	154,371	20,813
Current portion of bonds payable, net	2,050,288	-	2,050,288	-
Total Current Liabilities	<u>6,122,645</u>	<u>227,372</u>	<u>6,350,017</u>	<u>75,586</u>
Noncurrent Liabilities:				
Bonds payable, net	48,309,740	-	48,309,740	-
Other post-employment benefits obligation	17,077,000	-	17,077,000	-
Net pension liability	22,259,784	479,251	22,739,035	-
Compensated absences	2,977,287	47,618	3,024,905	-
Total Noncurrent Liabilities	<u>90,623,811</u>	<u>526,869</u>	<u>91,150,680</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	1,130,109	50,884	1,180,993	-
Total Deferred Inflows of Resources	<u>1,130,109</u>	<u>50,884</u>	<u>1,180,993</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	22,597,112	5,078,890	27,676,002	621,055
Restricted	7,039,147	-	7,039,147	-
Unrestricted (deficit)	<u>(22,978,887)</u>	<u>7,970,746</u>	<u>(15,008,141)</u>	<u>875,362</u>
Total Net Position	<u>6,657,372</u>	<u>13,049,636</u>	<u>19,707,008</u>	<u>1,496,417</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$104,533,937</u>	<u>\$ 13,854,761</u>	<u>\$118,388,698</u>	<u>\$ 1,572,003</u>

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

**TOWNSHIP OF HAVERFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-type Activities		Total
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES:								
General government	\$ 3,524,632	\$ 557,482	\$ 968,672	\$ -	\$ (1,998,478)	\$ -	\$ -	
Public safety	20,079,474	1,390,849	1,221,217	-	(17,467,408)	-	-	
Public works - sanitation	5,020,039	3,251,043	261,181	-	(1,507,815)	-	-	
Public works - highways and streets	7,885,290	198,926	1,550,506	500,000	(5,635,858)	-	-	
Culture and recreation	6,284,064	2,281,029	483,592	-	(3,519,443)	-	-	
Community development	1,284,234	326,112	671,587	-	(286,535)	-	-	
Interest on long-term debt	1,824,197	-	-	-	(1,824,197)	-	-	
TOTAL GOVERNMENTAL ACTIVITIES	45,901,930	8,005,441	5,156,755	500,000	(32,239,734)	-	(32,239,734)	
BUSINESS-TYPE ACTIVITIES:								
Sewer	3,569,419	4,984,555	-	-	-	1,415,136	-	
TOTAL BUSINESS-TYPE ACTIVITIES	3,569,419	4,984,555	-	-	-	1,415,136	-	
TOTAL PRIMARY GOVERNMENT	\$ 49,471,349	\$ 12,989,996	\$ 5,156,755	\$ 500,000	(32,239,734)	1,415,136	(30,824,598)	
COMPONENT UNIT:								
Free Library	\$ 2,261,165	\$ 64,946	\$ 1,573,725	\$ 139,130	-	-	(483,364)	
TOTAL COMPONENT UNIT	\$ 2,261,165	\$ 64,946	\$ 1,573,725	\$ 139,130	-	-	(483,364)	
GENERAL REVENUES AND TRANSFERS								
Taxes:								
Property taxes				24,643,126				
Transfer taxes				1,744,287				
Business privilege tax				1,403,351				
Mercantile tax				966,991				
Local service tax				604,117				
Franchise fees				1,159,833				
Fines and forfeits				196,474				
Interest and rent				835,850		62,977	5,846	
Other revenue				979,215		-	5,457	
Interfund transfers				600,000	(600,000)			
TOTAL GENERAL REVENUES AND TRANSFERS				33,133,244	(537,023)	32,596,221	11,303	
CHANGE IN NET POSITION				893,510	878,113	1,771,623	(472,061)	
NET POSITION, BEGINNING OF YEAR				5,763,862	12,171,523	17,935,385	1,968,478	
NET POSITION, END OF YEAR				\$ 6,657,372	\$ 13,049,636	\$ 19,707,008	\$ 1,496,417	

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

**TOWNSHIP OF HAVERFORD
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 17,746,859	\$ 6,666,322	\$ 90,842	\$ 24,504,023
Restricted	1,252,783	-	-	1,252,783
Accounts receivable	824,627	1,340,143	46,227	2,210,997
Taxes receivable	574,681	-	-	574,681
Due from other funds	23,086	-	695	23,781
Due from other governments	825,069	-	-	825,069
Prepaid expenditures	111,659	-	-	111,659
TOTAL ASSETS	<u>\$ 21,358,764</u>	<u>\$ 8,006,465</u>	<u>\$ 137,764</u>	<u>\$ 29,502,993</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE LIABILITIES				
Accounts payable and accrued expenses	\$ 1,125,167	\$ 2,246,025	\$ 91,208	\$ 3,462,400
Due to other funds	67,221	-	20,632	87,853
Escrows payable	224,784	-	-	224,784
Unearned revenues	154,371	-	-	154,371
TOTAL LIABILITIES	<u>1,571,543</u>	<u>2,246,025</u>	<u>111,840</u>	<u>3,929,408</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Property taxes	472,577	-	-	472,577
Loan proceeds	825,069	-	-	825,069
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,297,646</u>	<u>-</u>	<u>-</u>	<u>1,297,646</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,869,189</u>	<u>2,246,025</u>	<u>111,840</u>	<u>5,227,054</u>
FUND BALANCES				
Nonspendable	111,659	-	-	111,659
Restricted:				
Capital projects	-	5,760,440	-	5,760,440
Community development	-	-	25,924	25,924
Culture and recreation	557,755	-	-	557,755
Public safety	90,747	-	-	90,747
Public works - highways and streets	597,084	-	-	597,084
Scholarship fund	7,197	-	-	7,197
Committed, budgetary reserve	7,542,506	-	-	7,542,506
Assigned:				
Culture and recreation	132,544	-	-	132,544
Unassigned	9,450,083	-	-	9,450,083
TOTAL FUND BALANCES	<u>18,489,575</u>	<u>5,760,440</u>	<u>25,924</u>	<u>24,275,939</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 21,358,764</u>	<u>\$ 8,006,465</u>	<u>\$ 137,764</u>	<u>\$ 29,502,993</u>

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

**TOWNSHIP OF HAVERFORD
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2017**

TOTAL GOVERNMENTAL FUND BALANCES \$ 24,275,939

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 72,928,853

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities are reported in the statement of net position.

Accrued interest	(230,802)
Bonds payable, net	(50,360,028)
Other post-employment benefits	(17,077,000)
Net pension liability	(22,259,784)
Compensated absences	(2,977,287)

Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenues in the funds. 1,297,646

Deferred inflows and outflows of resources related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. Except for the differences between actual and expected investment returns, these amounts will be amortized over the estimated remaining average service life of the employees. Differences between actual and expected investment returns are amortized over a five-year period.

Deferred outflows of resources - pensions	2,161,657
Deferred inflows of resources - pensions	(1,130,109)

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. 28,287

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,657,372

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

TOWNSHIP OF HAVERFORD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property	\$ 24,748,676	\$ -	\$ -	\$ 24,748,676
Transfer	1,744,287	-	-	1,744,287
Business privilege	1,403,351	-	-	1,403,351
Mercantile	966,991	-	-	966,991
Local services	604,117	-	-	604,117
Licenses and permits	2,421,954	-	-	2,421,954
Fines and forfeits	196,474	-	-	196,474
Interest and rent	684,513	151,337	-	835,850
Intergovernmental revenues	3,154,954	1,340,143	661,658	5,156,755
Charges for services	6,417,208	-	-	6,417,208
Other	1,027,660	104,901	326,112	1,458,673
TOTAL REVENUES	<u>43,370,185</u>	<u>1,596,381</u>	<u>987,770</u>	<u>45,954,336</u>
EXPENDITURES				
Current:				
General government	3,084,118	6,480,756	-	9,564,874
Public safety	18,798,928	9,170,697	-	27,969,625
Public works - sanitation	4,181,839	-	-	4,181,839
Public works - highways and streets	5,659,783	447,353	-	6,107,136
Culture and recreation	5,171,666	203,628	-	5,375,294
Community development	648,488	-	913,264	1,561,752
Debt service:				
Principal	1,880,000	-	-	1,880,000
Interest	1,853,050	-	-	1,853,050
Borrowing costs	-	3,150	-	3,150
TOTAL EXPENDITURES	<u>41,277,872</u>	<u>16,305,584</u>	<u>913,264</u>	<u>58,496,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,092,313</u>	<u>(14,709,203)</u>	<u>74,506</u>	<u>(12,542,384)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	620,262	2,066,770	-	2,687,032
Interfund transfers out	(2,004,114)	(20,262)	(62,656)	(2,087,032)
Proceeds from sale of assets	-	422,020	-	422,020
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,383,852)</u>	<u>2,468,528</u>	<u>(62,656)</u>	<u>1,022,020</u>
NET CHANGE IN FUND BALANCES	708,461	(12,240,675)	11,850	(11,520,364)
FUND BALANCES, BEGINNING OF YEAR	<u>17,781,114</u>	<u>18,001,115</u>	<u>14,074</u>	<u>35,796,303</u>
FUND BALANCES, END OF YEAR	<u>\$ 18,489,575</u>	<u>\$ 5,760,440</u>	<u>\$ 25,924</u>	<u>\$ 24,275,939</u>

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

TOWNSHIP OF HAVERFORD
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (11,520,364)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 17,098,620	
Depreciation expense	<u>(3,094,464)</u>	14,004,156

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (180,546)

Net book value of disposed capital assets (500,370)

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 1,880,000

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Decrease in deferred charges on refunding	(10,888)	
Increase in accrued interest payable	12,606	
Decrease in bond premium	30,996	
Decrease in bond discount	(711)	
Increase in compensated absences	(361,902)	
Increase in other post-employment benefits	<u>(2,960,000)</u>	(3,289,899)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 500,533

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 893,510

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

**TOWNSHIP OF HAVERFORD
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2017**

	Sewer Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 8,463,842
Accounts receivable	204,432
Due from other funds	67,221
Total Current Assets	8,735,495
Noncurrent Assets:	
Buildings and improvements	811,067
Vehicles	702,110
Sewer system	5,324,008
Less: Accumulated depreciation	(1,758,295)
Total Noncurrent Assets	5,078,890
TOTAL ASSETS	13,814,385
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	43,525
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,857,910
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 227,372
Due to other funds	3,149
Total Current Liabilities	230,521
Noncurrent Liabilities:	
Net pension liability	479,251
Compensated absences	47,618
Total Noncurrent Liabilities	526,869
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	50,884
NET POSITION	
Net investment in capital assets	5,078,890
Unrestricted	7,970,746
Total Net Position	13,049,636
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 13,857,910

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

**TOWNSHIP OF HAVERFORD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Sewer Fund
OPERATING REVENUES	
Charges for sewer services	\$ 4,933,280
Other revenues	51,275
TOTAL OPERATING REVENUES	4,984,555
OPERATING EXPENSES	
Treatment and operational expenses	2,638,735
Salaries and benefits	743,632
General and administrative	65,884
Depreciation	121,168
TOTAL OPERATING EXPENSES	3,569,419
OPERATING INCOME	1,415,136
NONOPERATING REVENUES	
Interest and investment income	62,977
TOTAL NONOPERATING REVENUES	62,977
OPERATING TRANSFERS	
Transfers out	(600,000)
CHANGE IN NET POSITION	878,113
NET POSITION, BEGINNING OF YEAR	12,171,523
NET POSITION, END OF YEAR	\$ 13,049,636

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

**TOWNSHIP OF HAVERFORD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 5,106,581
Payments to employees for services	(751,947)
Payments to suppliers	(2,668,944)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,685,690
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Interfund transfers	(600,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(600,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(33,408)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(33,408)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and investment income	62,977
NET CASH PROVIDED BY INVESTING ACTIVITIES	62,977
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,115,259
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,348,583
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,463,842
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,415,136
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	121,168
(Increase) Decrease in assets:	
Accounts receivable	122,026
Due from other funds	(26,352)
Deferred outflows of resources - pension	98,673
Increase (Decrease) in liabilities:	
Accounts payable	61,559
Due to other funds	468
Net pension liability	(145,093)
Deferred inflows of resources - pension	38,105
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,685,690

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

TOWNSHIP OF HAVERFORD
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,960,709	\$ 88,794
Investments in mutual funds, fair value	64,041,641	-
Members' contributions receivable	26,773	-
Municipal contribution receivable	<u>5,550</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 67,034,673</u>	<u>\$ 88,794</u>
 LIABILITIES AND NET POSITION		
LIABILITIES		
Donations payable	<u>\$ -</u>	<u>\$ 88,794</u>
TOTAL LIABILITIES	<u>-</u>	<u>88,794</u>
 NET POSITION		
Held in trust for pension benefits	<u>67,034,673</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 67,034,673</u>	<u>\$ 88,794</u>

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

**TOWNSHIP OF HAVERFORD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer contributions	\$ 3,584,846
Member contributions	657,885
Commonwealth of Pennsylvania	1,179,181
Miscellaneous receipts	330
Total Contributions	5,422,242
Investment Income:	
Net realized/unrealized gain on investments	7,067,267
Interest and dividends	1,376,916
Investment expenses	(170,843)
Net Investment Income	8,273,340
TOTAL ADDITIONS	13,695,582
DEDUCTIONS	
Employee benefit payments	4,251,397
Administrative expenses	42,450
Insurance	14,004
Return of member contributions	3,542
TOTAL DEDUCTIONS	4,311,393
CHANGE IN FIDUCIARY NET POSITION	9,384,189
NET POSITION, BEGINNING OF YEAR	57,650,484
NET POSITION, END OF YEAR	\$ 67,034,673

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

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Township of Haverford (“the Township”) is a municipal corporation existing and operating under Home Rule Charter following the First Class Township Code of the Commonwealth of Pennsylvania. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to government units.

Component Unit

The Haverford Township Free Library (“the Library”) is a component unit of the Township of Haverford, as four of the seven members of the Library Board of Trustees are appointed by the Board of Commissioners of the Township of Haverford. The Library is reported as a discretely presented component unit in the Township financial statements.

The Library’s separately audited financial statements can be obtained at the Library during regular business hours.

Government-wide and Fund Financial Statements

Government-wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund – The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources used to acquire or construct major capital projects. The revenue in this fund comes from the sales of existing assets, non-recurring business audit revenues, issuance of long-term debt, or from capital appropriations from the General Fund. This fund is reported as a major fund.

The Township reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the sewage and wastewater service operations and is intended to be self-supporting through user charges.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Additionally, the Township reports the following fiduciary fund types:

Pension Trust Funds – The Pension Trust Funds account for the activities of the Police and Non-Uniformed Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

Agency Funds – The Agency Funds account for assets held by the Township in a custodial capacity (assets equal liabilities) and do not present results of operations or have a measurement focus.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses of the Sewer Fund include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of pension trust funds, state law allows the Township to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Township to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or other like insurance and that deposits in excess of such insurance are collateralized by the depository. Other permitted deposits include banker's acceptances, commercial paper, and negotiable certificates of deposit.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets, net of its liabilities. The Township may also invest in shares of registered investment companies, provided that investments of the company are authorized investments, as noted above.

The law provides that the Township's pension trust funds may invest in any form or type of investment, financial instrument, or financial transactions if determined by the Township to be prudent.

Investments for the Township are reported at fair value. In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Restricted Cash

Certain cash deposits have been classified as restricted assets because they are held by the Township in a custodial capacity for developers and others.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts Receivable and Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the customer's property if the customer does not remit payment for property taxes, sewer user fees, or trash collection fees.

Property Taxes

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed February 1 and payable under the following terms: a two percent discount February 1 through March 31; face amount April 1 through May 31; and a 10 percent penalty after May 31. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets, Township

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

Roads	20 years
Storm sewers	75 years
Recreation equipment	5 - 40 years
Traffic signals	5 - 30 years
Buildings	40 years
Vehicles	10 years
Building improvements	10 - 40 years
General improvements and equipment	5 - 20 years
Sanitary sewers	75 years

Capital Assets, Free Library

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Collection and books that are exhaustible are capitalized; books used in the circulating Library have not been capitalized because their estimated useful lives are less than one year.

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

Leasehold improvements	20 years
Furniture and equipment	3 - 10 years
Book collection	5 years

Compensated Absences

Sick Pay – Civil employees are paid for up to 50 days of unused sick time, plus a maximum of \$3,000 for days in excess of the 50 days, upon retirement, disability, or layoff. For police employees, at the time of retirement, up to 90 unused sick days shall be paid at one half of eighty percent (80%) of the daily base pay for the retiring officer's rank in effect. All sick pay is

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

accrued when incurred in the government-wide and Proprietary Fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured; for example, as a result of employee resignations and retirements.

Other Leave Time – Subject to limitations, department directors and the Township Manager can carry over unused leave time for payout at retirement. Police personnel can also carryover leave time known as TOTO for payout at retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The first item, the deferred charge on refunding, is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred amount related to pensions, reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred amount related to pensions is the result of changes in plan assumptions and the net difference between actual and expected experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two types of items that qualify for reporting in this category.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Unavailable revenues arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and loans to other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred amount related to pensions, reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred amount related to pensions is the result of differences between actual and projected earnings on pension plan investments and changes in plan assumptions.

Fund Balance

Fund balances of the governmental funds are classified, if applicable, as follows:

- Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. The Board has delegated the authority to assign fund balance to the Township Manager.
- Unassigned Fund Balance – Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of a motion. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Position

Net position is classified as follows:

- Net Investment in Capital Assets – the Township’s investment in capital assets plus any unspent funding from debt borrowings, reduced by accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.
- Restricted – amounts limited by external parties or legislation.
- Unrestricted – amounts available for consumption or not restricted in any manner.

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of the 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Sewer Fund, and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The General Fund budget is presented in the required supplementary information.

The Township Manager must submit a preliminary budget to the Board of Commissioners on or before 60 days of year end. On or before 30 days of year end, the Board of Commissioners must adopt a preliminary budget. No later than 10 days following the adoption of the preliminary budget by the Board, the Manager shall cause to be published in one or more

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

newspapers of general circulation in the Township a summary of the budget and notice of the date, time, and place at which the Board shall hold a public meeting on the proposed budget, which shall take place at a regular or special meeting of the Board at least seven days after advertisement. Following advertising and public hearing at which interested citizens shall have the right to express their views on the budget, the Board, by a majority vote of its total membership, shall adopt a final budget with such amendments as the Board considers advisable.

The Township Board of Commissioners approves, by ordinance, total budget appropriations only. The Township Manager is authorized to transfer budget amounts between departments within the General Fund; however, any appropriations that exceed the total budget appropriations for the year of any fund are approved by the Board of Commissioners by resolution at the conclusion of the year. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders) outstanding at year end lapse.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, the General Fund incurred expenditures in excess of appropriations in the following function:

Function	Expenditures Over Budget
Public works – sanitation	\$ 11,876

The excess of expenditures was funded by other current-year expenditure appropriations that were under budget.

NOTE 3 DEPOSITS AND INVESTMENTS

Township Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's policy is to require its banking institution to provide a letter stating that the Township follows Commonwealth of Pennsylvania Act 72, where all funds in

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

As of December 31, 2017, the carrying amount of deposits was \$37,270,151, and the bank balance was \$38,054,741. Of the bank balance, \$750,000 was covered by federal depository insurance; \$15,293,150 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Township's name; and the remaining \$22,011,591 was in the Pennsylvania Local Government Investment Trust ("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 its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization (Standard & Poor's rating of AAAM as of December 31, 2017), and is subject to an independent annual audit.

Township Investments

Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note 1.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township does not have a formal investment policy that limits investment maturities.

At year-end, investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Exchange traded funds	\$ 31,654,664	\$ 31,654,664
Equity mutual funds	20,530,492	20,530,492
Fixed income mutual funds	<u>11,856,485</u>	<u>11,856,485</u>
TOTAL	<u>\$ 64,041,641</u>	<u>\$ 64,041,641</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note 1. The Township does not have a formal investment policy for credit risk. The bond mutual funds credit risk ranges from a rating of B to AAA by Moody's.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than five percent in any one single issuer that would be considered a concentration of credit risk.

Library Deposits

As of December 31, 2017, the total carrying amount of the Library's deposits was \$930,821, and the corresponding bank balance was \$1,050,576.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a policy for custodial credit risk. The bank balances are covered by federal depository insurance.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Library has no investment subject to custodial credit risk.

Interest Rate Risk

The Library has no formal policy that limits investment choices to certain credit ratings.

Credit Risk

The Library has no investment policy that would limit its investment choices to certain credit ratings.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Concentration of Credit Risk

The Library has no investment policy that would limit the amount the Library may invest in one issuer.

NOTE 4 RECEIVABLES

Receivables as of December 31, 2017 for the Township are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Sewer Fund</u>	<u>Fiduciary Funds</u>
Accounts receivable	\$ 824,627	\$1,340,143	\$ 46,227	\$ 204,432	\$ -
Taxes receivable	574,681	-	-	-	-
Contributions receivable	-	-	-	-	32,323
Due from other governments	<u>825,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,224,377</u>	<u>\$1,340,143</u>	<u>\$ 46,227</u>	<u>\$ 204,432</u>	<u>\$ 32,323</u>

Notes Receivable (Due from Other Governments)

On December 30, 2008, the Township granted the Oakmont Fire Company a loan in the principal amount of \$2,000,000 with a stated interest rate of five percent. Interest is payable to the Township semi-annually on June 1 and December 31 each year, and the loan matures on December 31, 2025. The loan is collateralized by property held by the Oakmont Fire Company in the event of default on the loan. The total principal and interest payments received on this loan for the year ended December 31, 2017 were \$74,996 and \$45,004, respectively, and the outstanding balance was \$825,069.

A schedule of the future payments to be received on the loan follows.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 78,747	\$ 41,253	\$ 120,000
2019	82,684	37,316	120,000
2020	86,818	33,182	120,000
2021	91,159	28,841	120,000
2022	95,717	24,283	120,000
2023 - 2025	<u>389,944</u>	<u>43,165</u>	<u>433,109</u>
TOTALS	<u>\$ 825,069</u>	<u>\$ 208,040</u>	<u>\$ 1,033,109</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2017 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
General capital assets not being depreciated:				
Land	\$13,732,751	\$ -	\$ 147,397	\$13,585,354
Construction-in-progress	<u>4,786,742</u>	<u>12,542,146</u>	<u>16,330,309</u>	<u>998,579</u>
Total general capital assets not being depreciated	<u>18,519,493</u>	<u>12,542,146</u>	<u>16,477,706</u>	<u>14,583,933</u>
General capital assets being depreciated:				
Roads	21,720,322	64,568	-	21,784,890
Storm sewers	10,825,063	-	-	10,825,063
Recreation equipment	6,693,680	134,626	25,340	6,802,966
Traffic signals	572,464	599,680	-	1,172,144
Buildings	13,518,412	16,190,705	472,244	29,236,873
Vehicles	13,775,984	3,527,132	895,576	16,407,540
Buildings improvements	3,008,049	48,634	77,745	2,978,938
General improvements and equipment	<u>3,605,008</u>	<u>321,438</u>	<u>23,500</u>	<u>3,902,946</u>
Total general capital assets being depreciated	<u>73,718,982</u>	<u>20,886,783</u>	<u>1,494,405</u>	<u>93,111,360</u>
Accumulated depreciation:				
Roads	11,272,228	957,055	-	12,229,283
Storm sewers	1,649,289	144,334	-	1,793,623
Recreation equipment	2,542,494	325,035	-	2,867,529
Traffic signals	218,806	37,988	-	256,794
Buildings	3,642,217	468,069	386,262	3,724,024
Vehicles	9,892,549	853,318	665,586	10,080,281
Buildings improvements	1,213,620	145,274	66,084	1,292,810
General improvements and equipment	<u>2,382,205</u>	<u>163,391</u>	<u>23,500</u>	<u>2,522,096</u>
Total accumulated depreciation	<u>32,813,408</u>	<u>3,094,464</u>	<u>1,141,432</u>	<u>34,766,440</u>
Total general capital assets being depreciated, net	<u>40,905,574</u>	<u>17,792,319</u>	<u>(352,973)</u>	<u>58,344,920</u>
Governmental Activities, Net	<u>\$59,425,067</u>	<u>\$30,334,465</u>	<u>\$(16,830,679)</u>	<u>\$72,928,853</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Business-type activities capital asset activity for the year ended December 31, 2017, was as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Sanitary sewers	\$ 5,324,008	\$ -	\$ -	\$ 5,324,008
Buildings	811,067	-	-	811,067
Vehicles	668,702	33,408	-	702,110
Total capital assets being depreciated	<u>6,803,777</u>	<u>33,408</u>	<u>-</u>	<u>6,837,185</u>
Accumulated depreciation:				
Sanitary sewers	773,002	70,987	-	843,989
Buildings	414,374	15,258	-	429,632
Vehicles	449,751	34,923	-	484,674
Total accumulated depreciation	<u>1,637,127</u>	<u>121,168</u>	<u>-</u>	<u>1,758,295</u>
Business-type Activities, Net	<u>\$ 5,166,650</u>	<u>\$ (87,760)</u>	<u>\$ -</u>	<u>\$ 5,078,890</u>

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

Governmental Activities:

General government	\$ 133,326
Public safety	584,500
Public works - sanitation	180,435
Public works - highways and streets	1,470,591
Culture and recreation	713,749
Community development	<u>11,863</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,094,464</u>

Business-type Activities:

Sewer	<u>\$ 121,168</u>
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TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Capital asset activity for the Library for the year ended December 31, 2017, was as follows:

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Leasehold improvements	\$ 233,584	\$ -	\$ -	\$ 233,584
Furniture and equipment	104,238	16,672	-	120,910
Construction-in-progress	41,006	-	-	41,006
Total capital assets	<u>378,828</u>	<u>16,672</u>	<u>-</u>	<u>395,500</u>
Accumulated depreciation:				
Leasehold improvements	121,028	12,282	-	133,310
Furniture and equipment	54,955	8,388	-	63,343
Total accumulated depreciation	<u>175,983</u>	<u>20,670</u>	<u>-</u>	<u>196,653</u>
Capital Assets, Net	<u>\$ 202,845</u>	<u>\$ (3,998)</u>	<u>\$ -</u>	<u>\$ 198,847</u>

<u>Book Collection</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Exhaustible book collection	\$ 1,659,570	\$ 136,385	\$ -	\$ 1,795,955
Accumulated depreciation	<u>1,284,450</u>	<u>89,297</u>	<u>-</u>	<u>1,373,747</u>
Book Collection, Net	<u>\$ 375,120</u>	<u>\$ 47,088</u>	<u>\$ -</u>	<u>\$ 422,208</u>
Total Capital Assets, Net	<u>\$ 577,965</u>	<u>\$ 43,090</u>	<u>\$ -</u>	<u>\$ 621,055</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances and transfers as of December 31, 2017, is as follows:

Due To/From Other Funds

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 23,086	\$ 67,221
Other Governmental Funds	695	20,632
Sewer Fund - Proprietary Fund	<u>67,221</u>	<u>3,149</u>
Total	<u>\$ 91,002</u>	<u>\$ 91,002</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Interfund balances are primarily a result of:

1. Payment of various program expenses.
2. Payment of sewer rents received in the General Fund attributable to the Sewer Fund.

Interfund Transfers

	Transfer In	Transfer Out
General Fund	\$ 620,262	\$ 2,004,114
Capital Projects Fund	2,066,770	20,262
Other Governmental Funds	-	62,656
Sewer Fund - Proprietary Fund	-	600,000
Total	\$ 2,687,032	\$ 2,687,032

Interfund transfers are primarily a result of:

1. Payment of various program expenses accounted for in other funds in accordance with budgetary authorizations.
2. Various funds financing capital projects.

NOTE 7 LONG-TERM DEBT

At December 31, 2017, the Township had the following debt instruments outstanding:

General Obligation Bonds, Series of 2010, issued in May 2010 in the amount of \$29,025,000 for the purpose of currently refunding the General Obligation Bonds, Series of 2001 and Series A of 2005, and the General Obligation Note, Series of 2009, as well as for funding certain capital projects. The bonds bear interest at 2.5% - 5.0%, payable semi-annually on June 1 and December 1, and mature on June 1, 2030. \$ 21,640,000

General Obligation Bonds, Series of 2013, issued in September 2013 in the amount of \$10,000,000 for the purpose of currently refunding the General Obligation Note, Series of 2012, and for funding certain capital projects. The bonds bear interest at 2.0% - 4.6%, payable semi-annually on April 15 and October 15, and mature on October 15, 2043. 9,325,000

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

General Obligation Bonds, Series of 2014, issued in November 2014 in the amount of \$9,920,000 for the purpose of funding certain capital projects. The bonds bear interest at 2.0% - 4.0%, payable semi-annually on April 15 and October 15, and mature on October 15, 2044. 9,220,000

General Obligation Bonds, Series of 2016, issued in August 2016 in the amount of \$9,855,000 for the purpose of funding certain capital projects. The bonds bear interest at 2.0% - 4.0%, payable semi-annually on June 1 and December 1, and mature on December 1, 2046. 9,685,000

Total \$ 49,870,000

The total principal and interest maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,020,000	\$ 1,719,320	\$ 3,739,320
2019	2,095,000	1,643,833	3,738,833
2020	2,155,000	1,582,545	3,737,545
2021	2,220,000	1,513,445	3,733,445
2022	2,295,000	1,439,183	3,734,183
2023 - 2027	12,675,000	5,989,601	18,664,601
2028 - 2032	8,225,000	3,673,022	11,898,022
2033 - 2037	6,495,000	2,401,769	8,896,769
2038 - 2042	4,525,000	1,385,302	5,910,302
2043 - 2046	<u>7,165,000</u>	<u>207,879</u>	<u>7,372,879</u>
TOTALS	<u>\$ 49,870,000</u>	<u>\$ 21,555,899</u>	<u>\$ 71,425,899</u>

Long-term liability activity for the Township was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$51,750,000	\$ -	\$ 1,880,000	\$49,870,000	\$ 2,020,000
Bond premium	538,789	-	30,996	507,793	30,999
Bond discount	(18,476)	-	(711)	(17,765)	(711)
Bonds payable, net	<u>52,270,313</u>	-	1,910,285	50,360,028	2,050,288
Compensated absences	<u>2,615,385</u>	<u>361,902</u>	-	<u>2,977,287</u>	-
TOTAL	<u>\$54,885,698</u>	<u>\$ 361,902</u>	<u>\$ 1,910,285</u>	<u>\$53,337,315</u>	<u>\$ 2,050,288</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities:					
Compensated absences	\$ 47,618	\$ -	\$ -	\$ 47,618	\$ -

For the governmental activities, claims and compensated absences are generally liquidated by the General Fund.

NOTE 8 RISK MANAGEMENT

The Township self-insures an unemployment compensation program. Amounts are paid to the state as claims are filed. The Township paid \$9,963 in claims for the year ended December 31, 2017.

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Administration

The Haverford Township Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The Plan was established effective January 1, 1958 and was restated by Ordinance No. 1960 Chapter 30 Article IV, as amended. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage Plan assets to INR Advisory Services, LLC and PFM Asset Management, LLC.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

Plan Membership

At December 31, 2017, plan membership consisted of the following:

Active employees	65
Retirees and beneficiaries currently receiving benefits	82
Vested terminated members	<u>6</u>
TOTAL	<u>153</u>

Benefits

The following is a summary of the Plan benefit provisions:

Eligibility Requirements:

- Normal Retirement: Age 50 and 25 years of service. If hired after August 1, 2014, age 53 and 25 years of service.
- Early Retirement: Age 50 and 15 years of service (hired before January 1, 2000, 20 years of service (Act 24).
- Vesting: 100 percent vested after 12 years of service.

Retirement Benefit – 50 percent of final average 36 months pay plus a service increment equal to \$20 per month for each year of service over 25 up to a maximum of \$100/month.

Survivor Benefit: Killed-In-service (Act 51) – In the event of the death of a retired officer, the survivor would receive 50 percent of the pension the member was receiving, vested-refund of contribution with interest or 50 percent of vested benefit payable beginning at officer's superannuation retirement date. Members who retire on or after January 1, 2012, if death occurs within the first eight years, spouse receives 100 percent of benefit for remainder of eight years, then benefit is reduced to 50 percent.

Disability Benefit Service Related – 70 percent of base salary offset by social security disability benefits.

Post Retirement Adjustments – Eligibility: Retirement after January 1, 2000. Adjustment: Annual increase equal to increase in CPI until original pension has increased 15 percent or if earlier,

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

until adjusted pension equals 75 percent of the salary upon which the original pension was based.

Act 44 Deferred Retirement Option Program – An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 36 months upon attainment of age 53 and 25 years of service.

Contributions

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

As a condition of participation, participants are required to make contributions to the plan. Covered employees are required by statute to contribute five percent of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

In 2017, the MMO obligation for the Police Pension Plan was \$3,121,717. Contributions of \$3,121,717 were made by the Township. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Township’s employees were recognized as revenues and expenditures during the year.

Investments

Investment Policy – The Plan’s investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan’s formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

The Plan's investment policy for INR Advisory Services, LLC establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	60.00%	5.78%
Fixed income	37.00%	1.35%
Cash	3.00%	<u>-0.31%</u>
 Total Net Blended Return		 3.76%*

* - Excludes 2.25% inflation assumption

The Plan's investment policy for PFM Asset Management, LLC establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	39.00%	5.20%
International equity	15.00%	5.20%
Emerging markets	6.00%	5.20%
Core fixed income	29.00%	3.00%
Intermediate investment grade corp.	2.75%	3.80%
Bank loans	2.75%	2.70%
High yield	2.75%	4.30%
Emerging debt	2.75%	4.80%
Cash	0.00%	<u>0.80%</u>
 Total Net Blended Return		 4.42%*

* - Excludes 2.50% inflation assumption

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 are presented in the previous tables.

Concentrations

More than five percent of the Township's investments are in mutual funds. These investments are 100 percent of the plan's total investments.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 14.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31 2017, were as follows:

Total pension liability	\$ 51,423,769
Fiduciary net position	<u>(37,122,248)</u>
Net pension liability	<u>\$ 14,301,521</u>
Plan fiduciary net position as a percentage of the total pension liability	72.19%

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

The Township's total pension liability used to calculate the net pension liability is determined by the actuarial valuation. The changes in the net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 47,721,824	\$ 31,588,245	\$ 16,133,579
Changes for the year:			
Service cost	974,195	-	974,195
Interest on total pension liability	4,011,524	-	4,011,524
Differences between expected and actual experience	1,011,784	-	1,011,784
Change of assumptions	129,008	-	129,008
Contributions - employer	-	3,121,717	(3,121,717)
Contributions - employee	-	360,674	(360,674)
Net investment income	-	4,500,380	(4,500,380)
Benefit payments	(2,424,566)	(2,424,566)	-
Administrative expenses	-	(24,202)	24,202
Net Changes	<u>3,701,945</u>	<u>5,534,003</u>	<u>(1,832,058)</u>
Balance at December 31, 2017	<u>\$ 51,423,769</u>	<u>\$ 37,122,248</u>	<u>\$ 14,301,521</u>

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

The following presents the net pension liability of the Township, calculated using the discount rate of 8.25 percent, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	1% Decrease 7.25%	Current Rate Discount Rate 8.25%	1% Increase 9.25%
Net pension liability	\$ 19,862,225	\$ 14,301,521	\$ 9,574,892

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2017, the Township recognized pension expense of \$2,759,255. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between actual and expected experience	\$ 591,162	\$ -
Changes in assumptions	847,743	-
Difference between actual and projected investment returns	-	285,142
Total Deferred Outflows and Inflows	\$ 1,438,905	\$ 285,142

The deferred amounts related to the pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ 694,290
2018	694,288
2019	(39,745)
2021	(195,070)
	\$ 1,153,763

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	7 Years
Asset Valuation Method	Smoothing per Section 210(a) of Act 44
Assumptions:	
Inflation	2.25 percent
Salary increases	5.25 percent
Investment rate of return	8.25 percent, net of pension plan investment expense, including inflation

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (cont'd)

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

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

Deferred Retirement Option Plan

An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 36 months upon attainment of age 53 and 25 years of service. The monthly pension shall be calculated as of the date of participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of DROP. As of December 31, 2017, there were four members participating in the DROP with a total DROP account balance of \$542,480.

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN)

Summary of Significant Accounting Policies

Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Township's Non-Uniformed Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Administration

The Haverford Township Non-Uniformed Pension Plan is a single employer defined benefit pension plan covering the full-time non-uniformed employees who were hired prior to January 1, 2011. The Plan was established effective January 1, 1958 and was restated by Ordinance No. 1960 Chapter 30 Article IV, as amended. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage Plan assets to INR Advisory Services, LLC and PPM Asset Management, LLC.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

Plan Membership

At December 31, 2017, plan membership consisted of the following:

Active employees	88
Retirees and beneficiaries currently receiving benefits	90
Vested terminated members	<u>13</u>
TOTAL	<u>191</u>

Benefits

The following is a summary of the Plan benefit provisions:

Eligibility Requirements:

- Normal Retirement: Age 62 and five years of service, or age 60 and 25 years of service.
- Early Retirement: None
- Vesting: 100 percent vested after five years of service.

Retirement Benefit – Two percent of highest average 36 months' pay times credited service.

Survivor Benefit – Upon death of vested active member or terminated vested member whose benefits had not commenced, the surviving spouse will receive an immediate monthly pension equal to 50 percent of the member's accrued benefit. Upon death of retired member, 50 percent of member's benefit is continued to spouse.

Disability Benefit (Service Related) – 50 percent of annual regular wages at the date of the disability offset by worker's compensation. The combination of monies received from the service connected disability benefits and worker's compensation cannot exceed 70 percent of total compensation paid over a 12-month period preceding the disability. The benefit is payable until the normal retirement date at which time the employee will receive the normal accrued benefit calculated at the time of the disability or 50 percent service disability benefit, whichever is higher.

Disability Benefit (Non-service Related) – 70 percent of regular wages at date of disability, of which 30 percent will be paid through the pension and 40 percent will be paid through the Township's long-term disability policy. The maximum duration of the 70 percent benefit is until age 65. If the non-probationary employee has reached 65, the 40 percent benefit paid from

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

the long-term disability policy will only be paid for the maximum months of disability as follows: If disability determined is 1) between age 65 but before attaining 66: 21 monthly benefit payments, 2) between age 66 but before attaining 67: 18 monthly benefit payments, 3) between age 67 but before attaining 68: 15 monthly benefit payments, or 4) between age 68 but before attaining 69: 12 monthly benefit payments. At the point in which the long-term disability policy expires, the subsequent benefit will be the greater of the employee's accrued pension benefit calculated at the time of the disability or 30 percent of the employee's salary as of the time of disability, whichever is greater.

Post Retirement Adjustments – None.

Contributions

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

As a condition of participation, participants are required to make contributions to the plan. Covered employees are required by statute to contribute 4.25 percent of their compensation to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

In 2017, the MMO obligation for the Non-Uniformed Pension Plan was \$1,606,054. Contributions of \$1,606,054 were made by the Township.

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

Investments

Investment Policy – The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

benefit and expense obligations when due. The Plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The Plan's investment policy for INR Advisory Services, LLC establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	60.00%	5.78%
Fixed income	37.00%	1.35%
Cash	3.00%	<u>-0.31%</u>
Total Net Blended Return		3.76%*

* - Excludes 2.25% inflation assumption

The Plan's investment policy for PFM Asset Management, LLC establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	39.00%	5.20%
International equity	15.00%	5.20%
Emerging markets	6.00%	5.20%
Core fixed income	29.00%	3.00%
Intermediate investment grade corp.	2.75%	3.80%
Bank loans	2.75%	2.70%
High yield	2.75%	4.30%
Emerging debt	2.75%	<u>4.80%</u>
Total Net Blended Return		4.42%*

* - Excludes 2.50% inflation assumption

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 are presented in the previous tables.

Concentrations

More than five percent of the Township's investments are in mutual funds. These investments are 100 percent of the plan's total investments.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 14.47 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

Total pension liability	\$ 38,118,504
Fiduciary net position	<u>(29,680,990)</u>
Net pension liability	<u>\$ 8,437,514</u>
Plan fiduciary net position as a percentage of the total pension liability	77.87%

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

The Township's total pension liability used to calculate the net pension liability is determined by the actuarial valuation. The changes in the net pension liability are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	\$ 36,905,092	\$ 25,913,114	\$ 10,991,978
Changes for the year:			
Service cost	565,051	-	565,051
Interest on total pension liability	2,974,719	-	2,974,719
Differences between expected and actual experience	(618,019)	-	(618,019)
Change of assumptions	118,492	-	118,492
Contributions - employer	-	1,606,054	(1,606,054)
Contributions - employee	-	265,277	(265,277)
Net investment income	-	3,750,278	(3,750,278)
Benefit payments	(1,826,831)	(1,826,831)	-
Administrative expenses	-	(26,902)	26,902
Net Changes	<u>1,213,412</u>	<u>3,767,876</u>	<u>(2,554,464)</u>
Balance at December 31, 2017	<u>\$ 38,118,504</u>	<u>\$ 29,680,990</u>	<u>\$ 8,437,514</u>

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

The following presents the net pension liability of the Township, calculated using the discount rate of 8.25 percent, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	<u>1% Decrease 7.25%</u>	<u>Current Rate Discount Rate 8.25%</u>	<u>1% Increase 9.25%</u>
Net pension liability	\$ 12,478,156	\$ 8,437,514	\$ 4,960,929

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2017, the Township recognized pension expense of \$1,459,668. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between actual and expected experience	\$ -	\$ 642,042
Changes in assumptions	766,277	-
Difference between actual and projected investment returns	<u>-</u>	<u>253,809</u>
Total Deferred Outflows and Inflows	<u>\$ 766,277</u>	<u>\$ 895,851</u>

The deferred amounts related to the pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2017	\$ 263,706
2018	263,705
2019	(268,601)
2020	<u>(388,384)</u>
	<u>\$ (129,574)</u>

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2017. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	7 Years
Asset Valuation Method	Smoothing per Section 210(a) of Act 44

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 10 DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (cont'd)

Assumptions:

Inflation	2.25 percent
Salary increases	5.25 percent
Investment rate of return	8.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected to 2017 using Scale AA.

NOTE 11 NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN

The Township has established a defined contribution pension plan to provide pension benefits for its regular, full-time, non-police employees who were hired on or after January 1, 2011. Under the plan, an individual receives his own account to which all contributions are made. The Township determines how his account is invested. The accounts are administered by INR Advisory Services, LLC.

Under the plan, the employer and employee contributions are negotiated through labor contracts. For 2017, both the employer and employee contribution rate was two percent of the employee's total compensation. Covered employees are fully vested in employer contributions after five years of service.

This plan was established effective January 1, 2011. Any person who became an eligible employee after January 1, 2011 would become a member on the last day of the plan year coincident with or next following completion of one-half year of service. For the year ended December 31, 2017, contributions of \$68,190 were made to this plan.

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

Description of the OPEB Plan

The Township sponsors a single employer defined postemployment benefit plan that provides fully insured medical and self-insured prescription drug, dental, and vision benefits to two groups of participants: Police and Civilian. The Civilian Plan provides these benefits at either full or partial funding through age 65. The Police Plan provides these benefits at either full or partial funding through the end of life. The self-insured programs are administered by third-party administrators. The requirements for eligibility mirror the requirements for retirement. The plan does not issue a stand-alone financial report.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (cont’d)

Funding Policy

Under the current labor contract, civilian retirees and their spouses (and eligible dependents) receive 100 percent paid benefits for medical, prescription drug, dental, and vision from ages 60 to 62. At age 63, the retired civilian continues to receive 100 percent paid, while spouses receive 50 percent paid insurance.

Under the current labor contract, police retirees and their spouses (and eligible dependents) receive 100 percent paid benefits for medical, prescription drug, dental, and vision through age 65. At age 65, the Township shall provide a Medicare supplement and pay 100 percent of the premium for the retired officer and 50 percent of the premium for the spouse of a retired officer and any eligible dependents for a period not to exceed five years after the retired officer becomes eligible for Medicare. Should a spouse of a retired officer become eligible for Medicare within the five-year period, the Township shall provide supplementary coverage in the balance of the five years.

Except in cases of retired civilians over age 65 and retired civilians’ spouses over age 63, retirees are not required to make contributions to either plan. The contribution requirements of plan members have been established and may be amended through Civilian and Police Labor Contracts. The Township is accounting for these expenditures on a “pay-as-you-go” basis. For December 31, 2017, there were no amounts contributed to this plan. There are currently eight civilian and 38 police retirees receiving these benefits. The amount paid out for insurance premium payments to eligible non-uniformed and police retirees in 2017 was \$199,000 and \$922,000, respectively.

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2017, the most recent actuarial valuation date, is as follows:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Non-uniformed	01/01/17	\$ -	\$ 4,683,000	\$ 4,683,000	0.00%	\$8,032,437	58.30%
Police	01/01/17	\$ -	\$40,874,000	\$40,874,000	0.00%	\$7,657,843	533.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (cont'd)

Amounts determined regarding the funded status of the OPEB plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedules of funding progress, presented as required supplementary information ("RSI") following the notes to the financial statements, present multiyear trend information about whether the actuarial value of the OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no plan assets, required disclosures over plan assets are not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the Township's net OPEB obligation are as follows:

	<u>Non-Uniformed Plan</u>	<u>Police Plan</u>
Annual required contribution	\$ 582,000	\$ 3,719,000
Interest on net OPEB obligation	128,000	436,000
Adjustment to annual required contribution	<u>(178,000)</u>	<u>(607,000)</u>
Annual OPEB cost (expense)	532,000	3,548,000
Contributions made	<u>(199,000)</u>	<u>(922,000)</u>
Increase in net OPEB obligation	334,000	2,626,000
Net OPEB obligation - beginning of year	<u>3,195,000</u>	<u>10,922,000</u>
Net OPEB obligation - end of year	<u>\$ 3,529,000</u>	<u>\$ 13,548,000</u>

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (cont'd)

The financial statements reflect a long-term liability of \$17,077,000 for governmental activities for the net OPEB obligation as of December 31, 2017.

Actuarial Methods and Assumptions

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

The annual required contribution for the current year was determined as part of the January 1, 2017 actuarial valuation using the following assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining amortization period	30 years
Discount Rate	4.0%
Inflation Rate	3.5%
Healthcare Trend Rate	8.0% grading down by 0.5% annually, to an ultimate discount rate of 3.0%

NOTE 13 ESCROW CASH DEPOSIT AND INVESTMENTS

The Township acts in a custodial capacity with respect to monies deposited with it by developers. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2017, \$224,784 represents the balance of these monies held in escrow in the General Fund.

NOTE 14 HAVERFORD TOWNSHIP FREE LIBRARY REVENUES

The Library is considered a component unit of the Township. The majority of the Library Board is officially appointed by the Township Board of Commissioners. The Library receives a substantial amount of its support from the Township. During 2017, the contributions from the Township totaled \$1,112,215. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities. In addition, the Township allows the Library free use of the building that houses the Library. The estimated value of the rental expense and other related expenses amounted to \$300,000 for the year ended December 31, 2017.

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 15 COMMITMENTS

The Township is actively engaged in a number of projects which are under formal agreements. A summary of the projects under commitment are as follows:

	<u>Project Amount</u>	<u>Completed as of 12/31/17</u>	<u>Commitments</u>
Municipal Services Building:			
Asbestos removal	\$ 51,202	\$ -	\$ 51,202
Project management	377,700	365,703	11,997
General contractor	10,275,103	9,812,152	462,951
Fire protection	220,000	217,576	2,424
HVAC	1,256,137	1,216,280	39,857
Electric	2,119,096	2,026,810	92,286
Plumbing	554,575	531,156	23,419
Other:			
Skatium Plaza Consultants	19,400	10,864	8,536
Phase 3 Street Lights	405,014	-	405,014
Darby Road Streetscape	739,135	273,492	465,643
Totals	<u>\$ 16,017,362</u>	<u>\$ 14,454,033</u>	<u>\$ 1,563,329</u>

The municipal services building was occupied by the Township on December 15, 2017. Accordingly, the Township reclassified the completed costs above to depreciable assets as of December 31, 2017. The remaining commitment under these contracts consist of punch list items that will be completed in fiscal year 2018.

In September 2014, the Township verbally committed to provide \$7,250,000 (which includes \$500,000 in matching grant funds) in future funding for a large-scale renovation project of the Haverford Township Free Library. This is a future project with awarding of contracts with an expected completion date in late 2018. As of December 31, 2017, the Township has paid \$464,327 of the total committed amount.

In addition, the Township has incurred costs in the amount of \$249,896 not under formal commitments as of December 31, 2017.

NOTE 16 SUBSEQUENT EVENTS

In February 2018, the Township authorized and entered into purchase agreements in the amount of \$189,500 for the acquisition of five (5) police vehicles; in the amount of \$45,925 for the acquisition of a sewer department stake body truck with lift gate; in the amount of \$40,265 for the acquisition of a highway department propane-fueled Ford F350 pickup truck with plow; in

TOWNSHIP OF HAVERFORD
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS (cont'd)

the amount of \$75,451 for the acquisition of a highway department propane-fueled Ford F550 pickup truck with plow; and \$100,472 for the acquisition of a highway department Ford F550 aerial bucket truck.

In March 2018, the Township authorized and entered into purchase agreements in the amount of \$291,245 for the acquisition of (2) International 7400 cab/chassis and dump bodies with salt spreaders and plows for use in the highway department; in the amount of \$55,164 for the acquisition of a New Holland tractor with hydraulic mowing deck and turf mower for use in the park maintenance department; and another, in the amount of \$171,262 for the acquisition of a 2018 International 7400 cab/chassis and loader for use in the sanitation department.

In April 2018, the Township authorized and entered into purchase agreements in the amount of \$31,992 for the acquisition of four (4) angled snow plows.

In May 2018, the Board of Commissioners authorized through ordinance an early retirement option for the current Township Manager. In accordance with the terms of his employment agreement, he would be eligible to retire with full retirement benefits starting at age 60 instead of the normal age 62.

In May 2018, the Township authorized and awarded a contract the Chatham Park Water Retention Basin project in the amount of \$522,084.

The Township has evaluated all subsequent events through June 15, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF HAVERFORD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$ 24,472,415	\$ 24,472,415	\$ 24,748,676	\$ 276,261
Transfer	1,100,000	1,100,000	1,744,287	644,287
Business privilege	1,000,000	1,000,000	1,403,351	403,351
Mercantile	900,000	900,000	966,991	66,991
Local services	550,000	550,000	604,117	54,117
Licenses and permits	2,108,000	2,108,000	2,421,954	313,954
Fines and forfeits	195,000	195,000	196,474	1,474
Interest and rent	645,736	645,736	684,513	38,777
Intergovernmental revenues	2,871,553	3,018,553	3,154,954	136,401
Charges for services	6,071,591	6,092,591	6,417,208	324,617
Other	856,006	856,006	1,027,660	171,654
TOTAL REVENUES	<u>40,770,301</u>	<u>40,938,301</u>	<u>43,370,185</u>	<u>2,431,884</u>
EXPENDITURES				
Current:				
General government	3,153,233	3,134,233	3,084,118	50,115
Public safety	18,764,799	18,833,799	18,798,928	34,871
Public works - sanitation	3,964,963	4,169,963	4,181,839	(11,876)
Public works - highways and streets	5,826,207	5,730,207	5,659,783	70,424
Culture and recreation	5,257,131	5,266,131	5,171,666	94,465
Community development	672,602	672,602	648,488	24,114
Debt service:				
Principal	1,880,000	1,880,000	1,880,000	-
Interest	1,961,908	1,961,908	1,853,050	108,858
TOTAL EXPENDITURES	<u>41,480,843</u>	<u>41,648,843</u>	<u>41,277,872</u>	<u>370,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(710,542)</u>	<u>(710,542)</u>	<u>2,092,313</u>	<u>2,802,855</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	2,110,542	2,110,542	-	(2,110,542)
Interfund transfers in	600,000	600,000	620,262	20,262
Interfund transfers out	(2,000,000)	(2,000,000)	(2,004,114)	(4,114)
TOTAL OTHER FINANCING (USES)	<u>710,542</u>	<u>710,542</u>	<u>(1,383,852)</u>	<u>(2,094,394)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>708,461</u>	<u>708,461</u>
FUND BALANCE, BEGINNING OF YEAR	<u>17,781,114</u>	<u>17,781,114</u>	<u>17,781,114</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 17,781,114</u>	<u>\$ 17,781,114</u>	<u>\$ 18,489,575</u>	<u>\$ 708,461</u>

TOWNSHIP OF HAVERFORD
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 974,195	\$ 996,981	\$ 947,250	\$ 931,127
Interest on total pension liability	4,011,524	3,729,984	3,551,888	3,377,023
Changes of benefit terms	-	-	(24,282)	-
Differences between expected and actual experience	1,011,784	-	(515,826)	-
Change of assumptions	129,008	-	1,836,891	-
Benefit payments, including refunds of member contributions	(2,424,566)	(2,440,176)	(2,340,070)	(2,255,036)
Net change in total pension liability	<u>3,701,945</u>	<u>2,286,789</u>	<u>3,455,851</u>	<u>2,053,114</u>
Total pension liability, beginning	47,721,824	45,435,035	41,979,184	39,926,070
Total pension liability, ending (a)	<u>\$ 51,423,769</u>	<u>\$ 47,721,824</u>	<u>\$ 45,435,035</u>	<u>\$ 41,979,184</u>
FIDUCIARY NET POSITION				
Employer contributions	\$ 3,121,717	\$ 3,113,035	\$ 2,859,475	\$ 2,819,919
Member contributions	360,674	357,193	363,562	340,793
Investment income (loss) of pension investments, net of investment expenses	4,500,380	1,883,126	(143,613)	1,606,146
Benefit payments, including refunds of member contributions	(2,424,566)	(2,440,176)	(2,340,070)	(2,255,036)
Administrative expense	(24,202)	(7,835)	(28,635)	(13,194)
Net change in fiduciary net position	<u>5,534,003</u>	<u>2,905,343</u>	<u>710,719</u>	<u>2,498,628</u>
Fiduciary net position, beginning	31,588,245	28,682,902	27,972,183	25,473,555
Fiduciary net position, ending (b)	<u>\$ 37,122,248</u>	<u>\$ 31,588,245</u>	<u>\$ 28,682,902</u>	<u>\$ 27,972,183</u>
Net pension liability [(a) - (b)]	<u>\$ 14,301,521</u>	<u>\$ 16,133,579</u>	<u>\$ 16,752,133</u>	<u>\$ 14,007,001</u>
Plan fiduciary net position as a percentage of the total pension liability	72.19%	66.19%	63.13%	66.63%
Covered payroll	\$ 6,915,142	\$ 6,819,296	\$ 6,888,822	\$ 6,468,876
Net pension liability as a percentage of covered payroll	206.81%	236.59%	243.18%	216.53%
Annual money-weighted return, net of investment expenses	14.25%	6.57%	-0.62%	6.27%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF HAVERFORD
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,121,717	\$ 3,113,035	\$ 2,859,475	\$ 2,819,919
Contributions in relation to the actuarially determined contribution	3,121,717	3,113,035	2,859,475	2,819,919
Contribution excess	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 6,915,142	\$ 6,819,296	\$ 6,888,822	\$ 6,468,876
Contribution as a percentage of covered employee payroll	45.14%	45.65%	41.51%	43.59%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

Actuarial Methods and Significant Assumptions

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	7 years
Asset valuation method	Smoothing per Section 210(a) of Act 44
Actuarial Assumptions:	
Investment rate of return	8.25%
Discount rate	8.25%
Projected salary increases	5.25%
Inflation	2.25%
Mortality	Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA

TOWNSHIP OF HAVERFORD
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 565,051	\$ 618,957	\$ 588,083	\$ 657,312
Interest on total pension liability	2,974,719	2,883,564	2,750,337	2,601,424
Differences between expected and actual experience	(618,019)	-	(354,668)	-
Change of assumptions	118,492	-	1,492,372	-
Benefit payments, including refunds of member contributions	(1,826,831)	(1,861,536)	(1,647,297)	(1,542,261)
Net change in total pension liability	<u>1,213,412</u>	<u>1,640,985</u>	<u>2,828,827</u>	<u>1,716,475</u>
Total pension liability, beginning	36,905,092	35,264,107	32,435,280	30,718,805
Total pension liability, ending (a)	<u>\$ 38,118,504</u>	<u>\$ 36,905,092</u>	<u>\$ 35,264,107</u>	<u>\$ 32,435,280</u>
FIDUCIARY NET POSITION				
Employer contributions	\$ 1,606,054	\$ 1,617,081	\$ 1,508,073	\$ 1,515,034
Member contributions	265,277	280,513	282,347	299,084
Investment income (loss) of pension investments, net of investment expenses	3,750,278	1,607,488	(132,267)	1,378,721
Benefit payments, including refunds of member contributions	(1,826,831)	(1,861,536)	(1,647,297)	(1,542,261)
Administrative expense	(26,902)	(7,835)	(31,435)	(12,794)
Net change in fiduciary net position	<u>3,767,876</u>	<u>1,635,711</u>	<u>(20,579)</u>	<u>1,637,784</u>
Fiduciary net position, beginning	25,913,114	24,277,403	24,297,982	22,660,198
Fiduciary net position, ending (b)	<u>\$ 29,680,990</u>	<u>\$ 25,913,114</u>	<u>\$ 24,277,403</u>	<u>\$ 24,297,982</u>
Net pension liability [(a) - (b)]	<u>\$ 8,437,514</u>	<u>\$ 10,991,978</u>	<u>\$ 10,986,704</u>	<u>\$ 8,137,298</u>
Plan fiduciary net position as a percentage of the total pension liability	77.87%	70.22%	68.84%	74.91%
Covered payroll	\$ 6,529,110	\$ 6,764,196	\$ 7,400,260	\$ 7,547,780
Net pension liability as a percentage of covered payroll	129.23%	162.50%	148.46%	107.81%
Annual money-weighted return, net of investment expenses	14.47%	6.62%	-0.56%	6.21%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TOWNSHIP OF HAVERFORD
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,606,054	\$ 1,617,081	\$ 1,508,073	\$ 1,515,034
Contributions in relation to the actuarially determined contribution	<u>1,606,054</u>	<u>1,617,081</u>	<u>1,508,073</u>	<u>1,515,034</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,529,110	\$ 6,764,196	\$ 7,400,260	\$ 7,547,780
Contribution as a percentage of covered employee payroll	24.60%	23.91%	20.38%	20.07%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN

Actuarial Methods and Significant Assumptions

Valuation date January 1, 2017
 Actuarial cost method Entry Age Normal
 Amortization method Level Dollar
 Remaining amortization period 7 years
 Asset valuation method Smoothing per Section 210(a) of Act 44

Actuarial Assumptions:

Investment rate of return 8.25%
 Discount rate 8.25%
 Projected salary increases 5.25%
 Inflation 2.25%
 Mortality Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA

**TOWNSHIP OF HAVERFORD
OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS - POLICE PENSION PLAN

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a) / (b)	(e) Covered Payroll	(f) UUAL as a Percentage of Covered Payroll (c) / (e)
01/01/17	\$ -	\$ 40,874,000	\$ 40,874,000	0.00%	\$ 7,657,843	533.75%
01/01/16	-	38,817,000	38,817,000	0.00%	7,657,843	506.89%
01/01/14	-	32,841,000	32,841,000	0.00%	6,818,345	481.66%

SCHEDULE OF FUNDING PROGRESS - NON-UNIFORMED PENSION PLAN

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a) / (b)	(e) Covered Payroll	(f) UUAL as a Percentage of Covered Payroll (c) / (e)
01/01/17	\$ -	\$ 4,683,000	\$ 4,683,000	0.00%	\$ 8,032,437	58.30%
01/01/16	-	4,379,000	4,379,000	0.00%	8,032,437	54.52%
01/01/14	-	6,409,000	6,409,000	0.00%	8,800,222	72.83%

SUPPLEMENTARY INFORMATION

TOWNSHIP OF HAVERFORD
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>Special Revenue Funds</u>		Total Other Governmental Funds
	Community Development Fund	HOME Program Fund	
ASSETS			
Cash and cash equivalents	\$ 77,344	\$ 13,498	\$ 90,842
Accounts receivable	46,227	-	46,227
Due from other funds	-	695	695
TOTAL ASSETS	<u>\$ 123,571</u>	<u>\$ 14,193</u>	<u>\$ 137,764</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	\$ 91,208	\$ -	\$ 91,208
Due to other funds	20,632	-	20,632
TOTAL LIABILITIES	<u>111,840</u>	<u>-</u>	<u>111,840</u>
FUND BALANCE			
Restricted:			
Community development	11,731	14,193	25,924
TOTAL FUND BALANCE	<u>11,731</u>	<u>14,193</u>	<u>25,924</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 123,571</u>	<u>\$ 14,193</u>	<u>\$ 137,764</u>

TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds		Total Other Governmental Funds
	Community Development Fund	HOME Program Fund	
REVENUES			
Intergovernmental revenues	\$ 465,184	\$ 196,474	\$ 661,658
Other	326,112	-	326,112
TOTAL REVENUES	<u>791,296</u>	<u>196,474</u>	<u>987,770</u>
EXPENDITURES			
Community development	716,790	196,474	913,264
TOTAL EXPENDITURES	<u>716,790</u>	<u>196,474</u>	<u>913,264</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>74,506</u>	<u>-</u>	<u>74,506</u>
OTHER FINANCING USES			
Transfers out	(62,656)	-	(62,656)
TOTAL OTHER FINANCING USES	<u>(62,656)</u>	<u>-</u>	<u>(62,656)</u>
NET CHANGE IN FUND BALANCES	11,850	-	11,850
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(119)</u>	<u>14,193</u>	<u>14,074</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,731</u>	<u>\$ 14,193</u>	<u>\$ 25,924</u>

TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2017

	Pension Trust Funds			Total Pension Funds	Agency Funds			Total Agency Funds
	Non-Uniformed Pension Fund	Police Pension Fund	Non-Uniformed Defined Contribution Pension Fund		Merry Place Fund	Access Equipment Fund		
ASSETS								
Cash and cash equivalents	\$ 980,451	\$ 1,970,228	\$ 10,030	\$ 2,960,709	\$ 72,800	\$ 15,994	\$ 88,794	
Investments in mutual funds, fair value	28,688,933	35,138,415	214,293	64,041,641	-	-	-	
Members' contributions receivable	11,606	13,605	1,562	26,773	-	-	-	
Municipal contribution receivable	-	-	5,550	5,550	-	-	-	
TOTAL ASSETS	\$29,680,990	\$37,122,248	\$ 231,435	\$67,034,673	\$ 72,800	\$ 15,994	\$ 88,794	
LIABILITIES AND NET POSITION								
LIABILITIES								
Donations payable	\$ -	\$ -	\$ -	\$ -	\$ 72,800	\$ 15,994	\$ 88,794	
TOTAL LIABILITIES	-	-	-	-	72,800	15,994	88,794	
NET POSITION:								
Restricted for pension benefits	29,680,990	37,122,248	231,435	67,034,673	-	-	-	
TOTAL LIABILITIES AND NET POSITION	\$29,680,990	\$37,122,248	\$ 231,435	\$67,034,673	\$ 72,800	\$ 15,994	\$ 88,794	

TOWNSHIP OF HAVERFORD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pension Trust Funds			Total Pension Funds
	Non-Uniformed Pension Fund	Police Pension Fund	Non-Uniformed Defined Contribution Pension Fund	
ADDITIONS				
Contributions:				
Employer contributions	\$ 1,205,479	\$ 2,343,111	\$ 36,256	\$ 3,584,846
Member contributions	265,277	360,674	31,934	657,885
Commonwealth of Pennsylvania	400,575	778,606	-	1,179,181
Miscellaneous receipts	330	-	-	330
Total Contributions	<u>1,871,661</u>	<u>3,482,391</u>	<u>68,190</u>	<u>5,422,242</u>
Investment Income:				
Net realized/unrealized gain on investments	3,210,305	3,837,672	19,290	7,067,267
Interest and dividends	618,747	754,119	4,050	1,376,916
Investment expenses	(79,104)	(91,411)	(328)	(170,843)
Net Investment Income	<u>3,749,948</u>	<u>4,500,380</u>	<u>23,012</u>	<u>8,273,340</u>
TOTAL ADDITIONS	<u>5,621,609</u>	<u>7,982,771</u>	<u>91,202</u>	<u>13,695,582</u>
DEDUCTIONS				
Employee benefit payments	1,826,831	2,424,566	-	4,251,397
Administrative expenses	19,900	17,200	5,350	42,450
Insurance	7,002	7,002	-	14,004
Return of member contributions	-	-	3,542	3,542
TOTAL DEDUCTIONS	<u>1,853,733</u>	<u>2,448,768</u>	<u>8,892</u>	<u>4,311,393</u>
CHANGE IN FIDUCIARY NET POSITION	3,767,876	5,534,003	82,310	9,384,189
NET POSITION, BEGINNING OF YEAR	<u>25,913,114</u>	<u>31,588,245</u>	<u>149,125</u>	<u>57,650,484</u>
NET POSITION, END OF YEAR	<u>\$29,680,990</u>	<u>\$37,122,248</u>	<u>\$ 231,435</u>	<u>\$67,034,673</u>